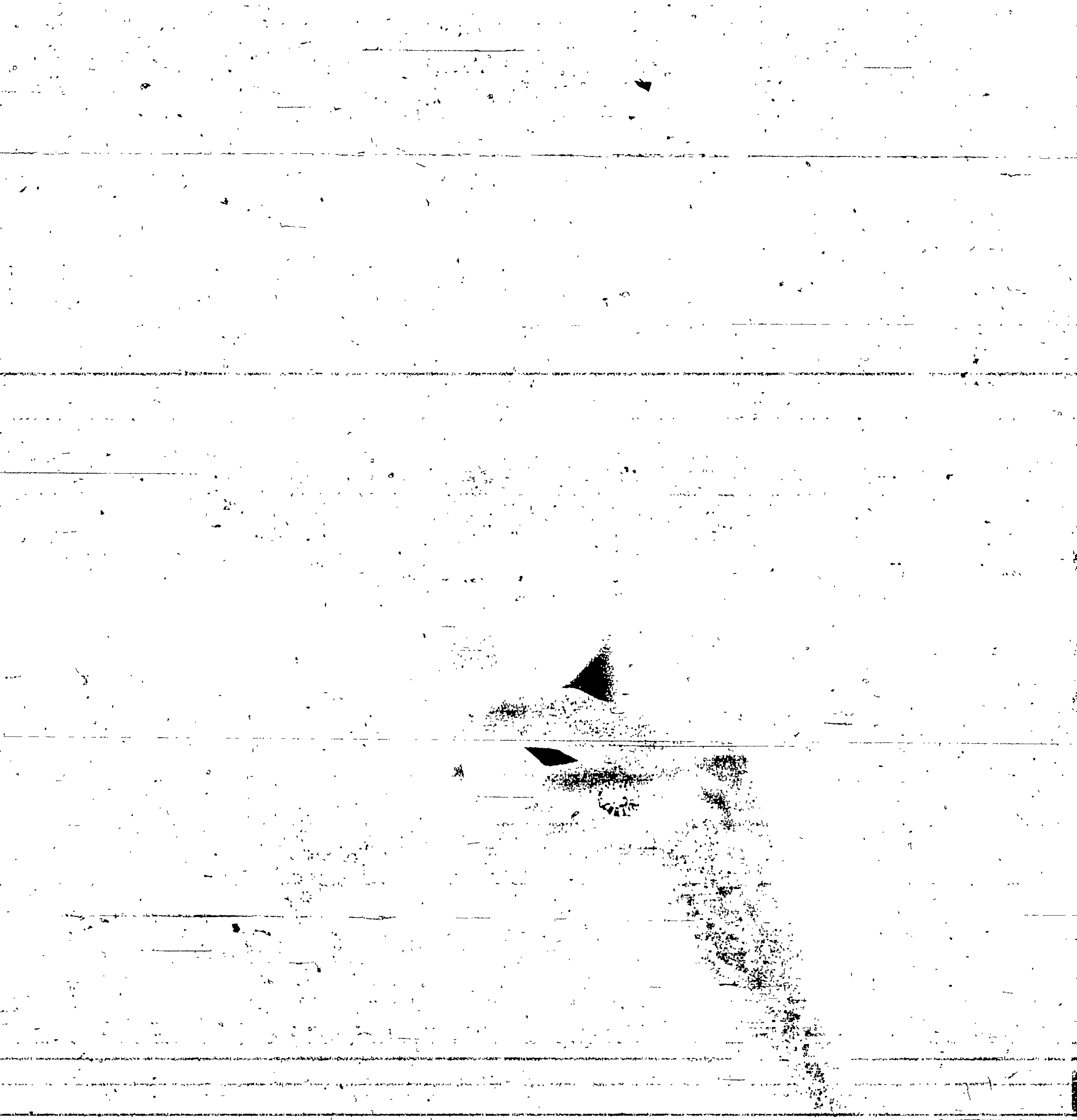
J.C. Penney Company, Inc.

1982 Annual Report



J.C. Penney Company, Inc.
1982 Annual Report

Financial Highlights (In millions except per share data)

For the Year	1982	1981	1980
Sales	**$11,414**	$11,369	$10,824
Sales of JCPenney stores and catalog	**10,364**	10,165	9,485
Per cent increase from prior year	**2.0**	7.2	4.0
Income from continuing operations	**$ 430**	$ 393	$ 283
Per cent increase from prior year	**9.4**	38.8	4.7
Per cent of sales	**3.8**	3.5	2.6
Per cent of stockholders' equity	**14.7**	14.9	11.2
Income from continuing operations per share	**$ 5.87**	$ 5.59	$ 4.04
Dividends per share	**$ 2.00**	$ 1.84	$ 1.84
Capital expenditures	**$ 287**	$ 205	$ 289

The amounts for 1981 and 1980 have been restated to exclude automotive center operations, which have been discontinued

This is JCPenney.

JCPenney is a major retailer, with stores in all 50 states, Puerto Rico, and Belgium The dominant portion of the Company's business consists of providing merchandise and services to consumers through stores, including catalog operations The Company markets family apparel, home furnishings, leisure lines, drug store merchandise, and insurance

Our focus this year is on key areas of our business women's apparel and accessories, men's apparel and furnishings, and furniture, textiles, and accessories for the home. *On the cover.* From our Fall and Winter 1983 Catalog, a classic wool jacket, worn over an ecru silk blouse, and accessorized with a silk foulard tie and wide brimmed hat. To add sparkle, a ruby and diamond ring available in our larger stores. As the whole of anything is the sum of many essential parts, so a whole look, albeit for women, men, or the home, depends on the quality and style of the accessories that pull it all together *To the left:* Leather bags, belts, and shoes Color-coordinated shoes and clutch handbags are from The 9-2-5 Collection, ours alone

Annual Meeting

Our Annual Meeting of Stockholders will be held at 10 A.M., Monday, May 16, 1983, at the Westin Peachtree Plaza Hotel, in Atlanta, Georgia You are cordially invited to attend A proxy statement, including a request for proxies, will be mailed to stockholders on or about April 11, 1983

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To Our Stockholders:

For JCPenney, 1982 was a year not only of record earnings but also of significant developments in the ongoing repositioning of our medium and large size JCPenney department stores. We also made appreciable progress in the implementation of our long term strategies for catalog, drug stores, Belgian operations, and JCPenney Financial Services. As we discuss these areas of our business in this letter, we will comment on some of the accomplishments of the past year. Additional data can be found under the appropriate headings in our Financial Review, which begins on page 11.

Of primary importance is the acceleration of the repositioning of our medium and large size JCPenney department stores, on which we will spend approximately $1 billion in the 1983–1987 period. This program, to be completed in several stages, involves modernization of facilities to provide an enhanced shopping environment and a reallocation of space to place greater emphasis on family apparel, home furnishings, and leisure merchandise.

At the same time, we are eliminating major appliances, paint and hardware, lawn and garden merchandise, and fabrics We will retain, however, selected merchandise categories from these areas, including microwave ovens, floor care equipment, and patio furniture.

Automotive operations are also being discontinued, and product service, which we have provided largely through our own internal organization, is being transferred to the extensive, national networks of RCA and General Electric Company. The Company's catalog will continue to offer automotive accessories in addition to hardware and lawn and garden merchandise.

Our overall objective is to bring our merchandise offerings into line with consumer buying patterns in regional shopping centers, in which virtually all of these stores are located, and to provide a shopping environment that is visually exciting and organized for ease and convenience.

After automotive operating losses of $10 million and a provision of $42 million for costs expected to be incurred in discontinuing the operations of the automotive centers, net income for 1982 was still a record $392 million, as compared with $387 million in 1981. A positive impact on earnings resulted from the reversal of the 1980 provision of $14 million for closing The Treasury discount operation, which is being accomplished at no cost to the Company.

Net income per share in 1982 was $5.35 versus $5.50 in the preceding year. The additional number of shares outstanding—approximately three million—reduced net income per share by 22 cents in 1982 The increase in shares was due primarily to exchanges of the Company's common stock for certain of our publicly traded sinking fund debentures.

Income from continuing operations rose 9.4 per cent last year to a record $430 million from $393 million in 1981 Earnings per share on this basis amounted to $5 87, as compared with $5 59.

The decline in value of the Mexican peso had a severe impact on the operating performance of stores serving the border area. Income per share from continuing operations contributed by border stores declined 35 cents in 1982, as compared with the previous year.

A number of nonoperating items, both positive and negative, also impacted our earnings last year. Details are included on page 11.

Effective with the May 1, 1982, payment, the quarterly dividend was raised 4 cents to 50 cents per share. The indicated annual dividend became $2.00 per share.

Sales for the 52 weeks ended January 29, 1983, at $11.4 billion, were .4 per cent higher than the preceding year's level. Sales of JCPenney stores and catalog rose 2 per cent to $10.4 billion.

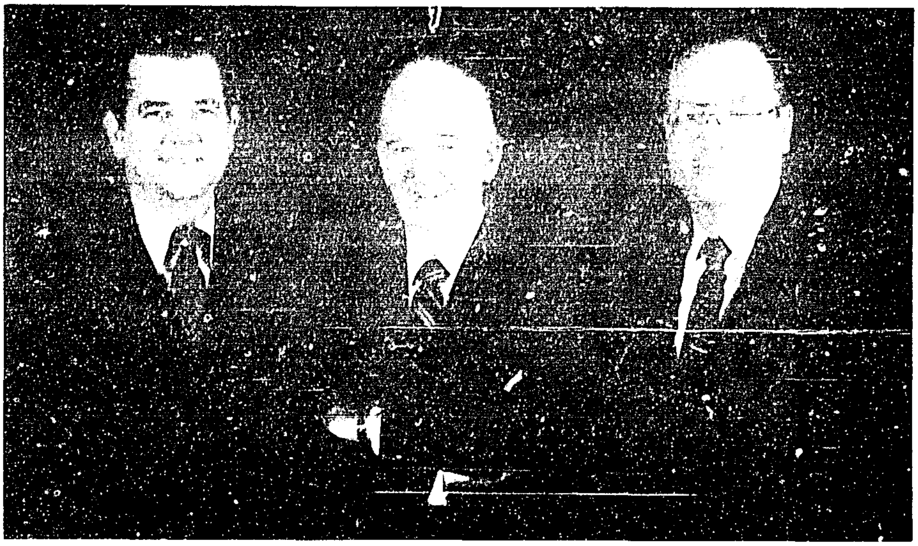
During the past year, we established new classifications for JCPenney stores—metropolitan and geographic—and set up separate management teams to address the specific needs of each type. Metropolitan market stores, embracing both department and soft line stores, are located in standard metropolitan areas and in some of the larger nonmetropolitan cities. The department stores are situated primarily in premier regional shopping centers, while the soft line stores are in older generation shopping centers and business districts. Geographic market stores are located in nonmetropolitan areas and in satellite towns within metropolitan areas.

Operating profits of JCPenney stores rose in 1982 from the 1981 level. Sales of metropolitan department stores increased 3 9 per cent to $7.6 billion, while those of soft line stores declined 11.6 per cent to $.9 billion Sales of geographic stores decreased .3 per cent to $1 5 billion

Catalog's profit increased slightly in 1982 from the previous record level of 1981, with sales advancing to $1.7 billion, a gain of 1.3 per cent. The Company's sixth catalog distribution center was opened in August 1982 in Manchester, Connecticut. For our customers throughout the Northeast, this has meant speedier service, with delivery time for merchandise shortened by at least 24 hours

Belgian operations' 1982 income was slightly lower than that of the preceding year. The 24.5 per cent decline in sales to $565 million reflects the strengthening of the dollar in relation to the franc during most of 1982. Sales of comparative units expressed in Belgian francs increased 4 4 per cent.

Significant progress has been made in realigning our Belgian operations, traditionally oriented to food and general merchandise, into four segments: department stores, apparel specialty shops, hypermarkets offering food and other current household needs, and franchised food and variety stores. Modernization and updating of merchandise offerings were accomplished in four department stores, three stores were converted to apparel specialty shops; nine stores were transferred to franchise units; and seven stores were closed because they did not fit into the Company's marketing strategy At year end, 62 stores were in operation.



Chairman Donald V Seibert with Vice Chairmen William R Howell, *left,* and Robert B Gill, *right*

Operating profits of drug stores increased substantially over the previous year due mainly to improved gross margin. Sales rose 6 2 per cent to $485 million. The Company opened 37 stores, including 20 that were acquired, in 1982. Of 27 stores that were closed, 20 were closed or disposed of due to the withdrawal from certain markets.

JCPenney Financial Services, our insurance operations, had net income of $22 million in 1982, as compared with $29 million in 1981. The decline was due primarily to higher underwriting losses.

Great American Reserve Insurance Company, a subsidiary which marketed life and health insurance through an agency sales force, was sold in December 1982. Resulting in a gain of $18 million, the sale followed our decision to concentrate on building our financial services business via our stores and direct marketing. In 1982, insurance centers were opened in 45 JCPenney stores, bringing the total at year end to 143 stores in 17 markets.

The Company and First Nationwide Savings, one of the country's largest savings and loan associations, signed an agreement in 1982 through which a broad line of financial products and services are being offered in financial centers in five northern California JCPenney stores and through direct marketing to credit card customers, starting in the Spring of 1983. The future direction of this new phase in our involvement in the retailing of financial services will be determined in coming months.

JCP Realty, Inc., the Company's wholly owned subsidiary which is engaged in the development and operation of shopping centers through participation in joint ventures, recorded a profit in both 1982 and 1981. In 1982, the Company sold its interest in one of the shopping center joint ventures and realized a gain of $9 million.

Capital expenditures, mainly for JCPenney stores and catalog facilities, amounted to $287 million in 1982, compared with $205 million in 1981. Of last year's total, approximately $155 million were used to remodel existing stores.

In 1983, capital expenditures are expected to reach a record $395 million New store space added, net of closings, should be approximately 1.5 million gross square feet Plans are to open 30 JCPenney stores and 10 drug stores, as well as 60 catalog sales centers.

In the course of modernizing and reallocating store space, we plan to convert attached automotive centers to store use. Freestanding automotive centers would be transferred to The Firestone Tire & Rubber Company, according to a letter of understanding that we signed jointly in February 1983.

In the merchandise area, in addition to accelerating the move toward a greater concentration on apparel, home furnishings, and leisure lines, we have in the past year become associated with fashion designers Halston and Lee Wright. A Halston line of apparel and accessories for women will debut in our stores this summer. It will also be available through our Fall and Winter Catalog. Men's apparel and furnishings designed by Mr. Wright will be introduced in our stores at approximately the same time.

Halston cosmetics and fragrances are already available in some of our stores and are represented among the merchandise shown in this Report. Also illustrated are women's apparel and accessories; men's apparel and furnishings; and furniture, textiles, and accessories for the home. Among this merchandise, which is representative of the Company's overall direction, are some of the approximately 100 items which we have identified as offering consumers unique values. These items include 9-2-5 shoes for women, towels, and microwave ovens. Our objective is to have these important contributors to sales and earnings available to our customers at all times.

The Company recently formed a new division, JCPenney Systems Services, to market usage of the Company's nationwide electronic communications network to other corporations. Our first customer is the Shell Oil Company, which will begin utilizing the system this Spring to authorize and record credit card transactions at some of its service stations

First Bank System, Inc., of Minneapolis, has signed a letter of intent to transfer to JCPenney its FirstHand videotex pilot program, which it has operated with 250 subscribers in the Red River Valley agricultural communities in North Dakota. The information provided on the two-way visual communications system has included home banking, home shopping, electronic newspapers, current commodity prices, and data on weather and soil conditions We have been involved in a number of videotex tests and believe the future is bright for transactional electronic services in homes and offices. The Company is well positioned strategically to enter this new business because of our existing electronic communications network capabilities

Developments in 1982 in the areas of contributions, community programs, minority economic development, conservation, and equal opportunity employment are discussed on page 26, under the heading of Corporate Responsibility. Notable among last year's contributions was the donation of our vacated downtown store in Seattle, Washington, to the Seattle Art Museum for use as its future home or as a real financial asset to support the museum's service to the community The property was valued at $9 million.

Important organizational changes in 1982 included the election of William R. Howell and Robert B. Gill as Vice Chairmen of the Company. Mr. Gill was also elected a member of the Board of Directors, as was David B. Meeker, a director of several corporations and formerly Chairman of the Board of Hobart Corp.

Walter J. Neppl, who began his JCPenney career in 1940, retired last year as Vice Chairman of the Board. Mr. Neppl continues as a director.

Kenneth S. Axelson also retired last year as Executive Vice President and a director of the Company. We express our appreciation to Messrs. Neppl and Axelson for their strong leadership and outstanding service to the Penney Company.

Finally, we take this opportunity to express our sincere appreciation to all of our dedicated employees whose efforts have contributed to another successful year. We also thank our customers, suppliers, and stockholders for their continued support and loyalty.

Donald V. Seibert

Donald V. Seibert, Chairman of the Board

Robert B. Gill

Robert B. Gill, Vice Chairman of the Board

Howell

William R. Howell, Vice Chairman of the Board

March 29, 1983

Statement of Income (In millions except per share data)

J C Penney Company, Inc and Consolidated Subsidiaries

	52 weeks ended January 29, 1983	52 weeks ended January 30, 1982	53 weeks ended January 31, 1981
Sales	**$11,414**	$11,369	$10,824
Costs and expenses			
Costs of goods sold, occupancy, buying, and warehousing costs	**7,708**	7,759	7,629
Selling, general, and administrative expenses	**2,759**	2,716	2,525
Interest expense, net	**262**	225	232
Nonoperating items, net	**(21)**	12	(10)
Total costs and expenses	**10,708**	10,712	10,376
Income before income taxes and unconsolidated subsidiaries	**706**	657	448
Income taxes	**302**	295	195
Income before unconsolidated subsidiaries	**404**	362	253
Income of unconsolidated subsidiaries	**26**	31	30
Income from continuing operations	**430**	393	283
Discontinued operations			
Operating losses, net of income taxes of $9, $5, and $27	**(10)**	(6)	(36)
Provision for estimated costs of disposal, net of income taxes of $22 and $14	**(28)**	—	(14)
Net income	**$ 392**	$ 387	$ 233
Per share			
Income from continuing operations	**$ 5.87**	$ 5.59	$ 4.04
Discontinued operations			
Operating losses	**(.14)**	(.09)	(.51)
Provision for estimated costs of disposal	**(.38)**	—	(.20)
Net income	**$ 5.35**	$ 5.50	$ 3.33

Cathy Hardwick has provided all the essential ingredients—and a few extras—for dozing in luxurious comfort Her collection of bed and bath coordinates, designed exclusively for JCPenney, will be available in our larger stores in the late summer of 1983 and through our Fall and Winter Catalog.

Statement of Reinvested Earnings (In millions)

Reinvested earnings at beginning of year	**$2,094**	$1,848	$1,737
Net income	**392**	387	233
Unrealized change in market value of equity securities	**4**	(11)	6
Foreign currency translation adjustment	**(8)**	(1)	—
Dividends	**(146)**	(129)	(128)
Reinvested earnings at end of year	**$2,336**	$2,094	$1,848

See Summary of Accounting Policies on page 10 and 1982 Financial Review on pages 11 through 24

Accountants' Report

To the Stockholders and Board of Directors of J.C. Penney Company, Inc.

We have examined the balance sheet of J.C. Penney Company, Inc. and consolidated subsidiaries as of January 29, 1983, January 30, 1982, and January 31, 1981, and the related statements of income, reinvested earnings, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of J.C. Penney Company, Inc. and consolidated subsidiaries at January 29, 1983, January 30, 1982, and January 31, 1981, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

345 Park Avenue, New York, N.Y.
March 18, 1983

Peat, Marwick, Mitchell & Co.

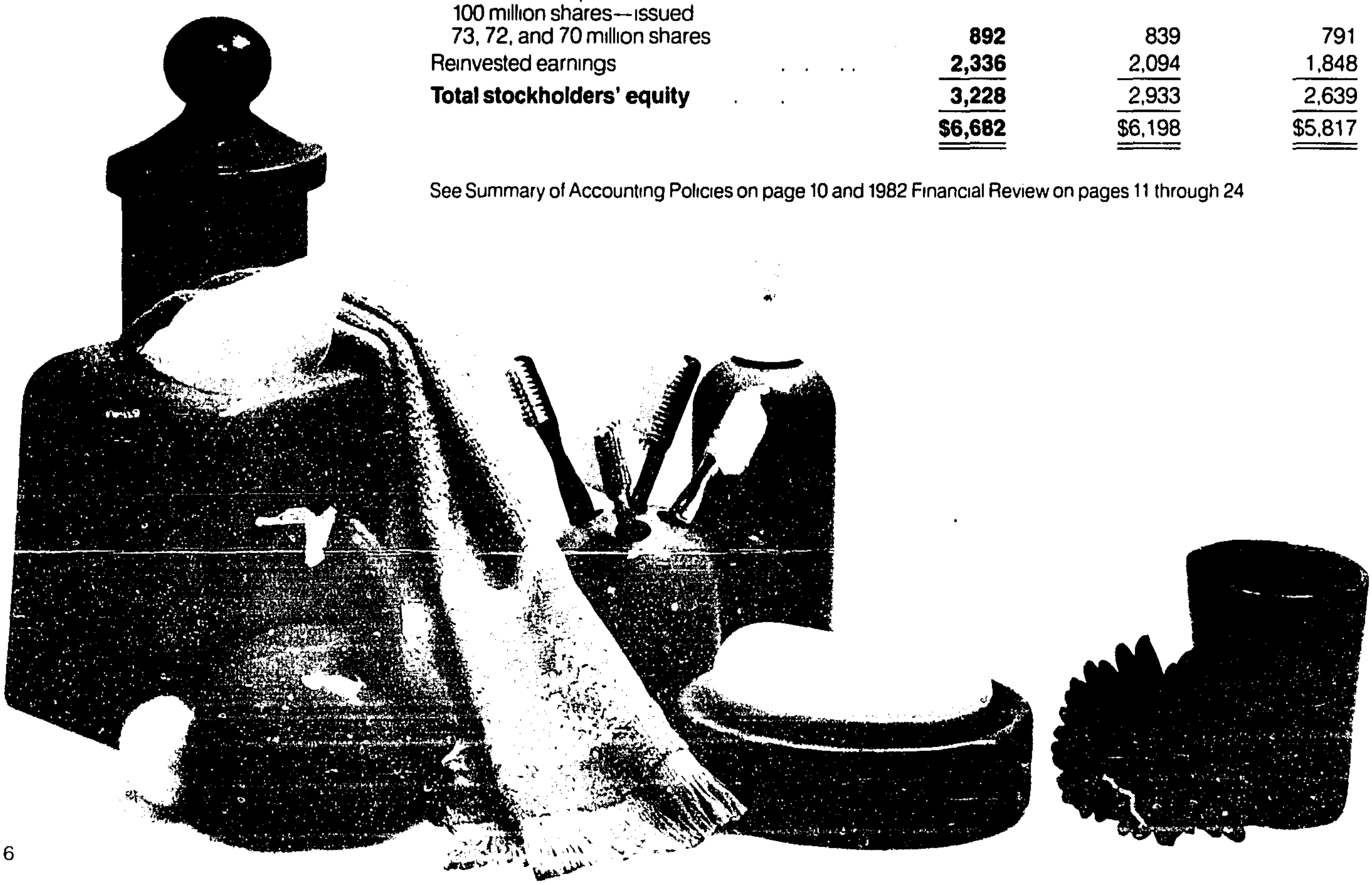
Balance Sheet (In millions)

J C Penney Company Inc and Consolidated Subsidiaries

	January 29, 1983	January 30, 1982	January 31, 1981
Current assets			
Cash and short term investments of $51, $35, and $360	**$ 174**	$ 123	$ 462
Receivables, net	**1,710**	1,617	981
Merchandise inventories	**1,594**	1,549	1,533
Prepaid expenses	**113**	109	134
Total current assets	**3,591**	3,398	3,110
Investment in and advances to unconsolidated subsidiaries	**812**	724	673
Properties, net of accumulated depreciation and amortization of $802, $748, and $659	**1,987**	1,878	1,834
Assets of discontinued operations, net	**122**	100	150
Other assets	**170**	98	50
	$6,682	$6,198	$5,817

Liabilities and Stockholders' Equity			
Current liabilities			
Accounts payable and accrued expenses	**$1,198**	$1,173	$1,217
Current maturities of long term debt	**100**	—	—
Income taxes	**—**	58	94
Deferred taxes, principally applicable to installment sales	**504**	460	412
Total current liabilities	**1,802**	1,691	1,723
Long term debt	**1,384**	1,398	1,320
Deferred taxes, principally applicable to depreciation and capital leases, net	**268**	176	135
Stockholders' equity			
Preferred stock, without par value Authorized, 5 million shares—issued, none			
Common stock, par value 50¢ Authorized, 100 million shares—issued 73, 72, and 70 million shares	**892**	839	791
Reinvested earnings	**2,336**	2,094	1,848
Total stockholders' equity	**3,228**	2,933	2,639
	$6,682	$6,198	$5,817

See Summary of Accounting Policies on page 10 and 1982 Financial Review on pages 11 through 24



Statement of Changes in Financial Position (In millions)

J.C. Penney Company Inc. and Consolidated Subsidiaries

	52 weeks ended January 29, 1983	52 weeks ended January 30, 1982	53 weeks ended January 31, 1981
Funds were generated from Operations			
Income from continuing operations before undistributed income of unconsolidated subsidiaries	**$404**	$362	$253
Depreciation and amortization	**144**	150	140
Deferred taxes	**92**	41	36
Amortization of original issue discount	**24**	9	—
Total	**664**	562	429
Undistributed net income of J.C. Penney Financial Corporation	**(50)**	(53)	(55)
Dividend from JCPenney Financial Services	**40**	—	—
Discontinued operations, net	**(60)**	44	(9)
External sources			
Increase in long term debt	**112**	150	550
Issuance of common stock	**53**	48	8
Other, net	**(94)**	(16)	(5)
Total funds generated	**665**	735	918
Funds were used for			
Dividends	**146**	129	128
Capital expenditures	**287**	205	289
Retirement of long term debt	**50**	81	23
Current maturities of long term debt	**100**	—	—
Total funds used	**583**	415	440
Increase in working capital	**$ 82**	$320	$478

Analysis of Changes in Working Capital (In millions)

Cash and short term investments of $51, $35, and $360	**$ 51**	$(339)	$ 363
Receivables, net	**93**	636	316
Merchandise inventories	**45**	16	(105)
Accounts payable and accrued expenses	**(25)**	44	(113)
Other	**(82)**	(37)	17
Increase in working capital	**$ 82**	$ 320	$ 478

See Summary of Accounting Policies on page 10 and 1982 Financial Review on pages 11 through 24

Management's Discussion and Analysis of Results of Operations and Financial Structure

Results of Operations. Ratios useful in analyzing the results of continuing operations for each of the last three years were as follows

	1982	1981	1980
Sales on 52 week basis			
Per cent increase, JCPenney stores and catalog	**2.0**	7.2	2.5
Per cent increase, general merchandise inflation	**2.8**	4.7	6.3
Real per cent increase (decrease)	**(.8)**	2.5	(3.8)
Gross margin as a per cent to sales	**32.5**	31.8	29.5
Selling, general, and administrative expenses as a per cent to sales	**24.2**	23.9	23.3
Interest expense as a per cent to sales	**2.3**	2.0	2.1
Income from continuing operations			
Per cent increase from prior year	**9.4**	38.8	4.7
Per cent to sales	**3.8**	3.5	2.6

Income from continuing operations increased to a record $430 million in 1982, a 9.4 per cent increase from $393 million in 1981. These results were achieved despite a number of negative factors. Among these were high unemployment and the decline in value of the Mexican peso which had a severe im-

pact on the operating performance of stores serving the border area Income per share from continuing operations contributed by border stores declined by approximately 35 cents for the year

Gross margin increased for the year due to higher markup, which more than offset increased markdowns resulting from heavy promotional activity, particularly during the holiday selling season Greater emphasis on family apparel, leisure lines, and home furnishings resulted in the higher markup

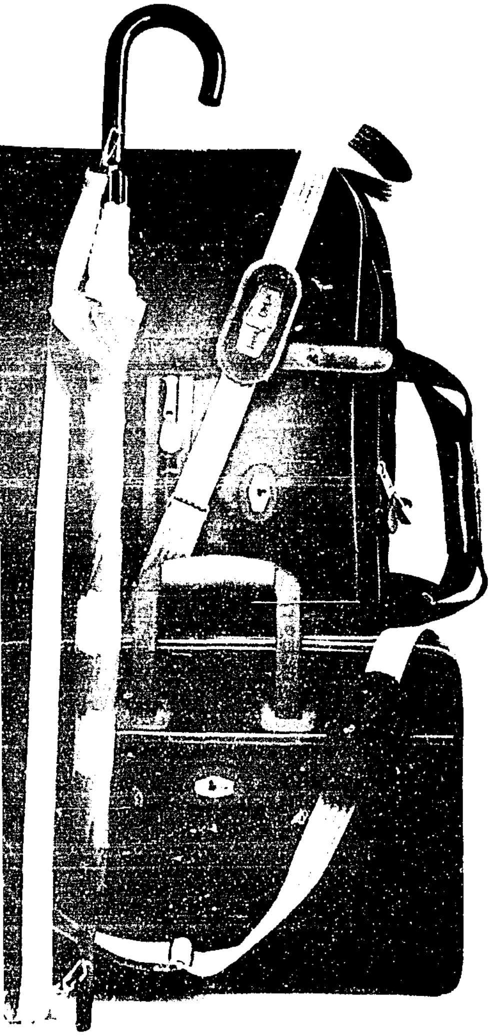
The impact on continuing operations of the LIFO method of inventory valuation was a credit of $24 million in 1982 and a charge of $5 million in 1981. The LIFO effect in both years was due to a combination of higher markup resulting from the Company's changing merchandise mix and a decline in inflation in general merchandise In 1980, a period in which the Company's markup was lower reflecting a different merchandise mix, and the inflation rate on general merchandise was substantially higher, the LIFO charge was $105 million.

While the rate of inflation on selling, general, and administrative expenses has outpaced the rate of inflation on general merchandise, these expenses increased only modestly due to the Company's continued tight control The increase in 1982 resulted primarily from higher advertising expense.

Interest expense rose 16 1 per cent in 1982 to $262 million from $225 million in 1981 and $232 million in 1980. The increase resulted from higher borrowing levels which more than offset the benefits from lower short term interest rates In 1981 and 1980, interest expense declined due to lower borrowing levels coupled with a significant shift from short term debt to long term debt

Nonoperating items that affected the Company's income from continuing operations are discussed on page 11

The section on discontinued operations in the Statement of Income includes both the automotive center and The Treasury discount operations as shown below



(In millions)	1982	1981	1980
Operating losses, net of income taxes			
Automotive	$(10)	$(6)	$(15)
Treasury	—	—	(21)
	$(10)	$(6)	$(36)
Provision for estimated costs of disposals, net of income taxes			
Automotive	$(42)	$—	$ —
Treasury	14	—	(14)
	$(28)	$—	$(14)

The provision of $14 million for costs of disposal of The Treasury discount operation was recorded in 1980 Income, net of related expenses, subsequently realized and expected to be generated from the leasing and sale of the Treasury facilities exceeds the actual costs incurred in closing the stores. Accordingly, in 1982, this provision was no longer required

Income from continuing operations was 3 8 per cent of sales in 1982 and represented the highest in the last ten years The Company's return on stockholders' equity in 1982 was 14 7 per cent, compared with 14 9 per cent in 1981

Financial Structure. In the analysis of the Company's corporate financial structure, as shown on page 17, funds required to finance the Company's business have been generated principally from operations Funds generated from operations increased from $429 million in 1980 to $562 million in 1981 to $664 million in 1982.

During the past three years, the Company has minimized its requirements for external borrowings to finance operations as a result of generating successive records of funds from operations and continuing to manage inventories Inventories are being maintained at sufficient levels to respond to consumer demands for seasonal merchandise and, at the same time, to minimize working capital requirements Merchandise inventories increased less than 3 per cent in each of the last two years and approximated the 1977 level During 1980, 1981, and the early part of 1982, the issuance of long term debt substantially decreased the need for short term borrowings and reduced the effects of fluctuating interest rates on earnings.

The Company anticipates that the future source of funds required to finance receivables, inventories, the major modernization program, expansion, and to repay amounts borrowed in previous years will be substantially provided from operations. The Company will continue to review all uses of funds to maximize financial returns and maintain financial flexibility.

Additional Information. For additional discussion and analysis of 1982, see the 1982 Financial Review on pages 11 through 24 For required information as to the impact of inflation on financial data, see pages 30 and 31.

From our new Lee Wright collection of men's apparel and accessories: worsted wool Saxony sports jacket in a windowpane pattern, worsted wool flannel trousers, broadcloth shirt, and silk tie. The watch is by Seiko
To the left Our own Hunt Club luggage, which will debut this Fall

Summary of Accounting Policies

The dominant portion of JCPenney's business consists of selling merchandise and services to consumers through stores, including catalog operations

Basis of Presentation. The accompanying financial statements, Financial Review, Ten Year Financial Summary, and Ten Year Operations Summary have been restated to exclude the assets, liabilities, income, and expenses of automotive and The Treasury discount stores, which are shown as discontinued operations. The accompanying Statement of Income presents as a separate item the operating losses and the provision for estimated costs of disposal The assets to be disposed of, net of certain related liabilities, are presented in the accompanying Balance Sheet.

Definition of Fiscal Year. JCPenney's fiscal year ends on the last Saturday in January. Fiscal year 1982 ended January 29, 1983, 1981 ended January 30, 1982, and 1980 ended January 31, 1981 They comprised 52 weeks, 52 weeks, and 53 weeks, respectively The accounts of JCPenney Financial Services are on a calendar year basis

Basis of Consolidation. The consolidated financial statements present the results of all merchandising operations and those real estate subsidiaries whose properties are presently being utilized in merchandising operations. Intercompany items and transactions have been eliminated in consolidation. Not consolidated are J.C. Penney Financial Corporation, JCPenney Financial Services, and JCP Realty, Inc., which are accounted for on the equity basis.

The income before income taxes of J C Penney Financial Corporation is included in the Statement of Income as a reduction of interest expense The combined income of all other unconsolidated subsidiaries is included as a single item in the Statement of Income

Sales. Sales include merchandise and services, net of returns, and exclude sales and value added taxes.

Accounts Receivable. Finance charge income arising from customer accounts receivable is treated as a reduction of selling, general, and administrative expenses in the Statement of Income

Merchandise Inventories. Substantially all merchandise inventories are valued at the lower of cost (last-in, first-out) or market, determined by the retail method

Depreciation. The cost of buildings and equipment is depreciated on a straight line basis over the estimated useful lives of the assets. The principal annual rates of depreciation are 2 per cent for buildings, 5 per cent for warehouse fixtures and equipment, and 10 per cent for selling fixtures and equipment Improvements to leased premises are amortized on a straight line basis over the term of the lease or their useful life, whichever is shorter.

Income Taxes. JCPenney uses the "flow through" method whereby income taxes are reduced currently for the amounts of investment tax credits

Deferred Charges. Expenses associated with the opening of new stores are written off in the year of store opening, except those of stores opened in January, which are written off in the following fiscal year Catalog preparation and printing costs are written off over the estimated useful lives of the catalogs, not to exceed six months

Pension Cost. The cost of pension benefits has been determined by the entry age normal actuarial method. Unfunded actuarial liabilities are amortized over a period not to exceed 30 years

Company Statement on Financial Information

The Company is responsible for the information presented in this Annual Report The financial statements have been prepared in accordance with generally accepted accounting principles and are considered to present fairly in all material respects the Company's results of operations, financial position, and changes in financial position. Certain estimated amounts are included in the financial statements, and these amounts are based on currently available information and judgment of current conditions and circumstances. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

The Company's system of internal accounting controls and procedures is supported by written policies and guidelines and supplemented by a staff of internal auditors This system is designed to provide reasonable assurance, at suitable cost, that assets are safeguarded and that transactions are executed in accordance with appropriate authorization and are recorded and reported properly. The system is continually reviewed, evaluated, and, where appropriate, modified to accommodate current conditions. Emphasis is placed on the careful selection, training, and development of professional managers

An organizational alignment that is premised upon appropriate delegation of authority and division of responsibility is fundamental to this system Communication programs are aimed at assuring that established procedures, policies, and guidelines are disseminated and understood through the Company.

The financial statements have been audited by independent public accountants whose report appears on page 5.

The Audit Committee of the Board of Directors is composed solely of directors who are not officers or employees of the Company. The Audit Committee is responsible for recommending to the Board the engagement of the independent public accounting firm for the purpose of conducting the annual examination of the Company's accounts Company personnel, including internal auditors, and the independent public accountants meet periodically with the Audit Committee to review financial statements and discuss auditing and financial reporting matters

1982 Financial Review

Overview

Sales in 1982 were $11,414 million an increase of 4 per cent over $11,369 million in 1981 Both fiscal 1982 and 1981 comprised 52 weeks, as compared with 53 weeks in 1980 A breakdown of the Company's sales is as follows

		Per cent increase (decrease) 1982 vs 1981			Per cent increase (decrease) 1981 vs 1980		
(In millions)	**1982**	All units	Comparative units	1981	All units	Comparative units	1980
JCPenney stores	**$ 9,965**	1 7	.2	$ 9,798	7 1	4.0	$ 9,147
Catalog	**1,701**	1 3	n/a	1,680	9 3	n/a	1,537
Intracompany elimination	**(1,302)**	n/a	n/a	(1,313)	n/a	n/a	(1,199)
Total JCPenney stores and catalog	**10,364**	2 0	2	10,165	7 2	4.0	9,485
Other retail operations	**1,050**	(12 9)	(5 8)	1,204	(10.1)	(9 4)	1,339
Total	**$11,414**	4	(4)	$11,369	5 0	2.4	$10,824

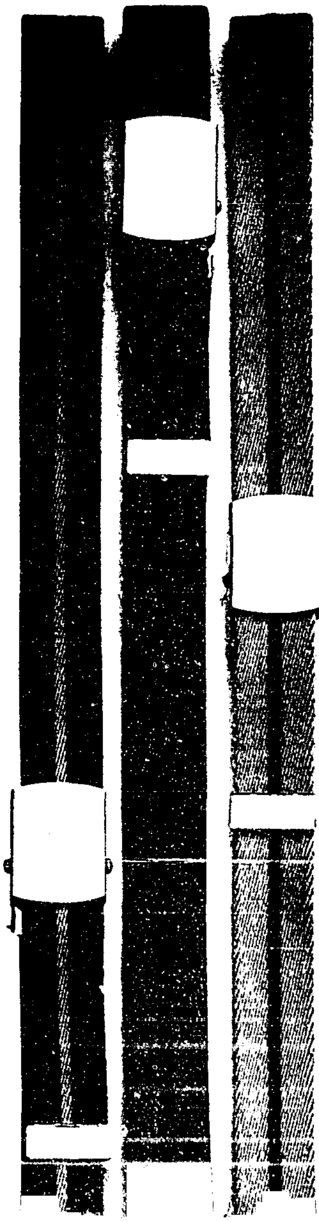
Catalog merchandise sold through catalog sales centers located in JCPenney stores is included in the sales of those stores Total catalog sales shown above include sales by catalog sales centers, outlet stores, and mail The duplication with respect to sales by catalog sales centers located in JCPenney stores is eliminated Comparative units are those in operation throughout both the current and prior year Sales of other retail operations exclude sales by catalog sales centers located in drug stores in the amounts of $51 million, $51 million, and $46 million in 1982, 1981, and 1980, respectively For further analyses of sales, see the discussion below and the Ten Year Operations Summary on page 28

In the ten years ended January 29, 1983, sales of JCPenney stores and catalog have grown at a compound annual rate of 8 6 per cent

Income from continuing operations was $430 million in 1982, compared with $393 million in 1981 and $283 million in 1980 Income from continuing operations per share was $5 87 per share in 1982 and $5 59 and $4 04 in 1981 and 1980, respectively, when there were approximately 3 million fewer shares outstanding The issuance of additional shares, primarily from exchanges of the Company's common stock for certain of its publicly traded sinking fund debentures, reduced income from continuing operations per share by approximately 22 cents in 1982

In the ten years ended January 29, 1983, income from continuing operations has increased at a compound annual rate of 9 8 per cent

After automotive operating losses, a provision for costs expected to be incurred in closing the automotive centers, and reversing The Treasury provision, net income was $392 million in 1982, or $5.35 per share, compared with $387 million in 1981, or $5 50 per share, and $233 million in 1980, or $3.33 per share.



Nonoperating items consisted of the following.

(In millions)	**1982**	1981	1980
Provision for costs of transfer of product service	**$(29)**	$ —	$—
Gain on sale of insurance subsidiary	**18**	—	—
Gains on nontaxable exchanges of common stock for long term debt	**13**	23	—
Gain on sale of interest in shopping center	**9**	—	—
Provision for repositioning the Belgian retail operations	**10**	(35)	—
Gain on sale of investment in La Rinascente	**—**	—	10
Increase (decrease) in income before income taxes	**21**	(12)	10
Income taxes	**(6)**	17	(3)
Increase in net income	**$ 15**	$ 5	$ 7

A provision of $29 million was recorded in 1982 for costs expected to be incurred in connection with the Company's decision to discontinue its own product service organization The Company will utilize the extensive national networks of RCA and General Electric Company to service its customers commencing in early 1983.

In December 1982, the Company sold Great American Reserve Insurance Company, one of its wholly-owned insurance subsidiaries, for $76 million The gain on the sale amounted to $18 million

The gains on the nontaxable exchanges of common stock for long term debt were $13 million in 1982 and $23 million in 1981. With respect to these transactions, approximately 1.1 million and 1.8 million shares of the Company's common stock, at a market value of $37 million and $47 million, were exchanged for $50 million and $70 million aggregate principal amount of certain of the Company's sinking fund debentures in 1982 and 1981, respectively.

In 1982, the Company sold its 40 per cent joint venture interest in Lincoln Mall Shopping Center in Matteson, Illinois The gain on the sale amounted to $9 million

In 1981, the Company provided $35 million for expenses related to the repositioning of its Belgian retail operations Although the repositioning program has been progressing as planned, the dollar amounts expected to be incurred in connection with this program have been modified and, accordingly, in 1982 the provision was reduced by $10 million

The quarterly dividend was increased from 46 cents per share in 1981 to 50 cents per share in 1982, or an annual rate of $2 00 per share Dividends were $146 million in 1982, compared with $129 million in 1981 and $128 million in 1980

JCPenney stores, traditionally classified as either full line or soft line, were assigned in 1982 to one of two new categories, metropolitan or geographic, which are described below and on page 13 At the same time, separate management teams were established with specific responsibilities for each category of stores Sales and other statistical data have been appropriately restated

Retail units and net selling space increased as follows.

	1982		1981		1980	
	Number of units	Net selling space (000 sq ft)	Number of units	Net selling space (000 sq ft)	Number of units	Net selling space (000 sq ft)
JCPenney stores						
Additions						
Metropolitan						
Department stores	**20**	**1,260**	33	2,319	40	3,034
Soft line stores	**1**	**24**	2	23	6	117
Geographic	**15**	**451**	12	336	26	706
Total	**36**	**1,735**	47	2,678	72	3,857
Closings						
Metropolitan						
Department stores						
Relocations	**—**	**—**	1	43	2	104
Other	**3**	**328**	—	—	3	265
Soft line stores						
Relocations	**15**	**304**	21	409	32	605
Other	**8**	**184**	16	315	4	113
Geographic						
Relocations	**13**	**176**	12	103	23	221
Other	**28**	**173**	17	124	9	57
Total	**67**	**1,165**	67	994	73	1,365
Increase (decrease), net	**(31)**	**570**	(20)	1,684	(1)	2,492
Other retail operations, net	**—**	**(130)**	(22)	(164)	9	104
Modifications and expansions, net	**—**	**56**	—	37	—	73
Total increase (decrease), net	**(31)**	**496**	(42)	1,557	8	2,669
Total in operation at year end	**2,046**	**67,004**	2,077	66,508	2,119	64,951

A schedule of store space opened in 1982 and a history of retail units and net selling space appear on page 28

JCPenney stores' sales were as follows:

(In millions)	**1982**	Per cent increase (decrease) 1982 vs 1981 All units	Comparative units	1981	Per cent increase (decrease) 1981 vs 1980 All units	Comparative units	1980
Metropolitan							
Department stores	**$7,624**	3.9	1 3	$7,336	9.7	4.3	$6,687
Soft line stores	**891**	(11 6)	(6.1)	1,008	(5.0)	2 5	1,061
Geographic	**1,450**	(.3)	(2 2)	1,454	3.9	2 4	1,399
Total	**$9,965**	1.7	.2	$9,798	7.1	4 0	$9,147

Metropolitan market stores are located in standard metropolitan areas and in some of the larger nonmetropolitan cities The department stores are situated primarily in premier regional comparison shopping centers, serving the suburbs of these larger markets and offering family apparel, home furnishings, and leisure lines The soft line stores are in older generation shopping centers and business districts serving the more densely populated, mature suburbs and urban sectors of these markets. Virtually all stores contain a JCPenney catalog desk.

The Company had 576 metropolitan department stores in operation at year end. These stores vary widely in size and average 81 thousand square feet of net selling space. Sales per square foot of net selling space were approximately $161 for stores in operation throughout 1982. The Company has accelerated its program of remodeling existing stores and will continue to open new stores

At year end, the Company had 228 metropolitan soft line stores in operation averaging 24 thousand square feet of net selling space Sales per square foot of net selling space were approximately $155 for stores in operation throughout 1982

Metropolitan stores' profit increased in 1982 over the 1981 level and in 1981 over the 1980 level due to increased sales, improved gross margin, and tight expense control

Geographic market stores vary in size up to about 40 thousand square feet of net selling space and are located in nonmetropolitan areas and in satellite towns within metropolitan areas These stores are soft line stores emphasizing family apparel and soft home furnishings. Virtually every store contains a JCPenney catalog desk which contributes substantially to sales and profit

At year end, the Company had 827 geographic stores in operation averaging 12 thousand square feet of net selling space Sales per square foot of net selling space were approximately $142 for geographic stores in operation throughout 1982 The Company continues to modernize existing stores, emphasize productivity, and expand into new markets

Geographic stores' profit increased in 1982 from the 1981 level and in 1981 from the 1980 level due principally to improved gross margin and tight expense control.

Catalog

Catalog operations serve customers who purchase merchandise through catalog sales centers located primarily in JCPenney stores and by mail. Catalog operations expand the Company's retailing capabilities by offering a wide range of apparel, home furnishings, and leisure merchandise The Company publishes two general catalogs Fall and Winter and Spring and Summer. These are supplemented by Christmas and other seasonal and promotional catalogs

The following table shows the components of catalog sales

(In millions)	1982	Per cent increase (decrease) 1982 vs 1981 All units	Comparative units	1981	Per cent increase (decrease) 1981 vs 1980 All units	Comparative units	1980
JCPenney stores							
Metropolitan							
Department stores	**$ 719**	2 9	(2)	$ 698	14 5	8 3	$ 610
Soft line stores	**159**	(11 9)	(3 0)	180	(4 8)	6 5	189
Geographic	**385**	(2 4)	(1 6)	395	7 3	7.3	368
Other	**438**	7 8	11 2	407	9 9	9 3	370
Total	**$1,701**	1 3	9	$1,680	9 3	7 9	$1,537

The number of catalog sales centers at each year end is shown below

	1982	1981	1980
JCPenney stores			
Metropolitan			
Department stores	**574**	557	525
Soft line stores	**227**	249	284
Geographic	**826**	850	868
Other	**188**	189	163
Total	**1,815**	1,845	1,840

Catalog's profit increased slightly in 1982 from the previous record level of 1981, despite the costs associated with the opening of the Company's sixth catalog distribution center in Manchester, Connecticut

Other Retail Operations

Sales of other retail operations were as follows.

(In millions)	1982	Per cent increase (decrease) 1982 vs 1981 All units	Comparative units	1981	Per cent increase (decrease) 1981 vs 1980 All units	Comparative units	1980
Belgian operations	**$ 565**	(24 5)	(15 9)	$ 748	(17.9)	(18.2)	$ 911
Drug stores	**485**	6 2	8.4	456	6.4	7.2	428
Total	**$1,050**	(12 9)	(5.8)	$1,204	(10.1)	(9.4)	$1,339

Belgian stores, operating under the name Sarma, sell general merchandise, food, and apparel. At year end, there were 62 Sarma stores with an average of 29 thousand square feet of net selling space Belgian operations include sales to franchised stores of $312 million in 1982, $350 million in 1981, and $410 million in 1980 At year end, 188 franchised stores were in operation Food sales accounted for

about 60 per cent of Belgian sales in each of the last three years In 1982, the Company closed the five restaurants which it operated in Belgium under the Wendy system and trademarks because of their poor operating results Options to operate Wendy units in France, the Netherlands, and Luxembourg were not exercised

In 1982, the U S. dollar strengthened by approximately 18 per cent in relation to the Belgian franc, resulting in a decline in sales of Belgian operations as expressed in U S dollars In Belgian francs, however, sales in 1982 of comparative units increased 4.4 per cent

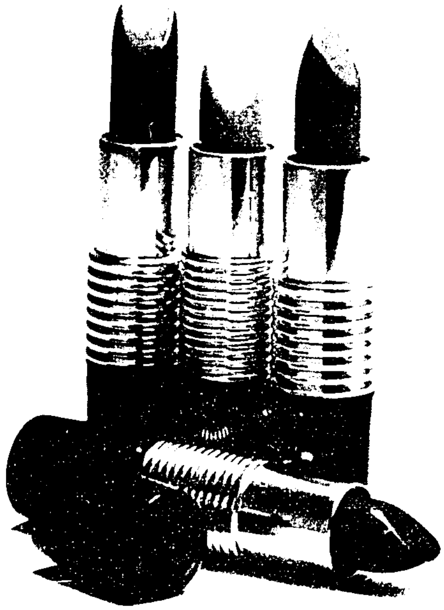
Net assets were $60 million at year end 1982, compared with $68 million at year end 1981 and $95 million at year end 1980

Belgian operations' 1982 income was slightly lower than in 1981

Drug stores, operating under the name Thrift Drug or The Treasury Drug Center, average 8,200 square feet of net selling space and offer typical drug store merchandise, including prescription drugs and health and beauty aid products. During 1982, 37 stores were opened, including 20 stores acquired, and 27 stores were closed, including 20 stores which were closed or disposed of due to the withdrawal from certain markets At year end, the Company operated 353 drug stores, of which 112 had catalog sales centers

Drug stores' profit increased substantially in 1982, principally due to improved gross margin Drug stores' profit in 1981 was about the same as in 1980.

Unconsolidated Subsidiaries



Opposite At home in elegant surroundings, fragrances and cosmetics that reflect our increasing emphasis on these essential accessories. Fragrances *left to right:* Halston, Norell, Chanel No 5, L'Air du Temps by Nina Ricci, and Gloria Vanderbilt. Cosmetics by Halston. Lipsticks, *above,* by Revlon.

Investment in and advances to unconsolidated subsidiaries stated at equity were as follows.

(In millions)	**1982**	1981	1980
J.C. Penney Financial Corporation	**$590**	$506	$481
JCPenney Financial Services	**262**	253	215
JCP Realty, Inc	**(40)**	(35)	(23)
Total	**$812**	$724	$673

J.C. Penney Financial Corporation (Financial) finances a portion of JCPenney's customer receivables Financial charges JCPenney a discount on the receivables purchased which is calculated to produce earnings sufficient to cover Financial's fixed charges, chiefly interest on borrowings, at least one and one-half times.

The condensed balance sheet of Financial was as follows.

(In millions)	**1982**	1981	1980
Assets			
Customer receivables, net of contract reserve of $101, $88, and $94	**$1,914**	$1,667	$1,788
Due from JCPenney	**2**	36	8
Other, including short term investments of $158, $185, and $105	**169**	197	116
	$2,085	$1,900	$1,912
Liabilities and equity			
Short term debt	**$ 611**	$ 476	$ 526
Accrued expenses	**45**	39	34
Long term debt	**837**	843	863
Equity of JCPenney	**592**	542	489
	$2,085	$1,900	$1,912

The complete financial statements of Financial are contained in its 1982 annual report, which is available upon request

JCP Realty, Inc. is engaged in the development and operation of shopping centers through participation in joint ventures.

At year end, Realty had interests in 49 shopping centers 34 in operation, 3 under construction, and 12 in the planning stage

Realty recorded a profit in each of the last three years and at year end had advanced $82 million to JCPenney. The 1982 profit excludes the gain of $9 million on the sale of its interest in Lincoln Mall Shopping Center, which is recorded as a nonoperating item in the Company's Statement of Income.

JCPenney Financial Services consists of the operations of the Company's insurance subsidiaries These subsidiaries market life and health insurance and automobile and homeowners casualty insurance. The Company contributed capital of $15 million, $20 million, and $15 million in 1982, 1981, and 1980, respectively, to its casualty insurance subsidiary.

JCPenney Financial Services' net income declined $7 million in 1982 to $22 million from $29 million in 1981. The decline was due primarily to higher underwriting losses In 1981, net income improved over 1980, due primarily to investment income.


N°5
CHANEL
PERFUME

In 1982, the Company sold Great American Reserve Insurance Company, a subsidiary which marketed life and health insurance through an agency sales force The Company is retaining both its operations for marketing life and health and auto and homeowners insurance through direct response and sales centers located in JCPenney stores These operations are conducted through J C. Penney Life Insurance Company and J.C. Penney Casualty Insurance Company.

The gain on the sale of Great American is reflected in the Company's Statement of Income as a non-operating item In 1982, JCPenney Financial Services paid a dividend of $40 million to the Company, representing a portion of the proceeds from the sale of Great American.

Great American's net income for each of the three years ended December 31, 1982, and its net assets as of December 31, 1981 and 1980, are shown separately in JCPenney Financial Services' summary of operations and balance sheet, respectively, as follows.

Summary of operations	Year ended December 31		
(In millions)	**1982**	1981	1980
Life and health			
Premiums written	**$ 87**	$ 72	$ 66
Premiums earned	**$ 84**	$ 72	$ 61
Investment income	**15**	13	10
Total	**99**	85	71
Benefits, claims, and expenses	**74**	57	48
Income before income taxes	**25**	28	23
Casualty			
Premiums written	**$109**	$101	$ 96
Premiums earned	**$105**	$ 99	$ 93
Investment income	**20**	17	15
Total	**125**	116	108
Claims and expenses	**124**	107	94
Income before income taxes	**1**	9	14
Combined			
Income before income taxes	**26**	37	37
Income taxes	**7**	11	13
Income before Great American Reserve Insurance Company	**19**	26	24
Income of Great American Reserve Insurance Company, net of income taxes	**3**	3	4
Net income	**$ 22**	$ 29	$ 28

Balance sheet	December 31		
(In millions)	**1982**	1981	1980
Assets			
Investments			
Fixed income, at amortized cost (market: $212, $148, and $125)	**$213**	$179	$149
Short term, at cost which equals market	**60**	64	54
Equity, at market (cost: $48, $50, and $39)	**50**	45	46
Other	**10**	11	10
Total investments	**333**	299	259
Deferred policy acquisition costs	**133**	106	72
Net assets of Great American Reserve Insurance Company	**—**	51	47
Other assets	**122**	32	29
	$588	$488	$407
Liabilities and equity			
Policy and claims reserves	**$196**	$167	$141
Income taxes and other liabilities	**121**	59	42
Long term debt	**9**	9	9
Equity of JCPenney	**262**	253	215
	$588	$488	$407

Corporate Financial Structure

The corporate financial structure, combining the assets and liabilities of J C Penney Company Inc and its consolidated subsidiaries with J C Penney Financial Corporation, was as folllows

(In millions)	1982	1981	1980
Assets			
Receivables, net	**$3,624**	$3,284	$2,769
Merchandise inventories	**1,594**	1,549	1,533
Properties, net	**1,987**	1,878	1,834
Other	**761**	625	639
	$7,966	$7,336	$6,775
Liabilities and equity			
Accounts payable and accrued expenses	**$1,243**	$1,212	$1,251
Short term debt, net of short term investments of $209, $220, and $465	**502**	256	61
Long term debt	**2,221**	2,241	2,183
Income taxes, primarily deferred	**772**	694	641
Stockholders' equity	**3,228**	2,933	2,639
	$7,966	$7,336	$6,775

The changes in the financial structure during each of the last three years were as follows

(In millions)	1982	1981	1980
Funds generated from operations	**$664**	$562	$ 429
Less funds used			
Increase in receivables	**340**	253	35
Purchase of customer receivables	**—**	262	—
Increase (decrease) in inventories, net of trade accounts payable	**114**	90	(210)
Capital expenditures	**287**	205	289
Dividends	**146**	129	128
Other, net	**37**	(70)	23
Total	**924**	869	265
External funds required (retired)	**$260**	$307	$(164)
Sources of funds			
Increase (decrease) in short term debt, net	**$187**	$201	$(959)
Increase (decrease) in long term debt	**(20)**	58	514
Common stock issued	**53**	48	8
Dividend from JCPenney Financial Services	**40**	—	—
Sale of customer receivables	**—**	—	273
	$260	$307	$(164)

Assets

Receivables were as follows

(In millions)	1982	1981	1980
Customer receivables			
Regular charge	**$2,474**	$2,269	$1,912
Time payment	**976**	914	706
	3,450	3,183	2,618
Less allowance for doubtful accounts (2% of customer receivables)	**69**	64	52
	3,381	3,119	2,566
Other receivables, net	**243**	165	203
Receivables, net	**$3,624**	$3,284	$2,769
Company	**$1,710**	$1,617	$ 981
Financial	**$1,914**	$1,667	$1,788

Merchandise inventories at year end 1982 were $1,594 million compared with $1,549 million at year end 1981 and $1,533 at year end 1980.

Substantially all inventories are valued at the lower of cost, last-in, first-out (LIFO), or market, determined by the retail method. If the first-in, first-out (FIFO) method of inventory valuation had been used by the Company, inventories at year end would have been $303 million higher for 1982, $327 million for 1981, and $322 million for 1980

Properties at year end were as follows

(In millions)	**1982**	1981	1980
Land	**$ 101**	$ 97	$ 96
Buildings			
Owned	**927**	812	710
Capital lease property rights	**261**	261	261
Fixtures and equipment	**1,191**	1,104	1,053
Leasehold improvements	**237**	206	194
Construction in progress and related land	**72**	146	179
	2,789	2,626	2,493
Less accumulated depreciation and amortization	**802**	748	659
Properties, net	**$1,987**	$1,878	$1,834

In 1982, the Company revised the estimated useful lives of its properties and warehouse fixtures and equipment to reflect more accurately their service lives. The changes were to increase the useful lives of buildings to 50 years and warehouse fixtures and equipment to 20 years Prior to 1982, store buildings were depreciated over estimated useful lives of 33⅓ years, warehouse and office buildings over estimated useful lives of 40 years, and fixtures and equipment, including those in warehouses, over estimated useful lives of 10 years The change had no material effect on income from continuing operations

Capital expenditures for the past three years are shown in the following tabulation

(In millions)	**1982**	1981	1980
Land	**$ 2**	$ 7	$ 5
Buildings	**63**	69	136
Fixtures and equipment	**175**	111	131
Leasehold improvements	**47**	18	17
Total capital expenditures	**$287**	$205	$289

In 1982, the Company announced a major modernization program which will place even greater emphasis on fashion merchandise, particularly men's, women's, and children's apparel, leisure lines, and home furnishings A breakdown of capital expenditures is shown below

(In millions)	**1982**	1981	1980
JCPenney stores			
New stores	**$ 80**	$101	$173
Modernizations	**155**	53	52
	235	154	225
Catalog	**27**	10	26
Other	**25**	41	38
Total	**$287**	$205	$289

Liabilities and Stockholders' Equity

Accounts payable and accrued expenses were as follows

(In millions)	**1982**	1981	1980
Accounts payable—trade	**$ 351**	$ 420	$ 494
Dividend payable	**37**	32	32
Taxes, other than income taxes	**154**	134	172
Accrued salaries, vacations, profit sharing, and bonuses	**345**	297	258
Other	**311**	290	261
Company	**1,198**	1,173	1,217
Financial	**45**	39	34
Total accounts payable and accrued expenses	**$1,243**	$1,212	$1,251

Short term debt consists of the following

(In millions)	**1982**	1981	1980
Financial			
Commercial paper	**$486**	$361	$340
Master notes	**125**	115	86
Current maturities of long term debt	**—**	—	100
	611	476	526
Company			
Current maturities of long term debt	**100**	—	—
	711	476	526
Short term investments			
Financial	**158**	185	105
Company	**51**	35	360
	209	220	465
Short term debt, net	**$502**	$256	$ 61

The following table provides information regarding borrowings, investments, and interest rates

	Average amount (In millions)			Average rate		
	1982	1981	1980	**1982**	1981	1980
Short term debt	**$ 885**	$ 616	$ 810	**11.4%**	14 8%	12 4%
Short term investments	**(392)**	(573)	(393)	**(12.9)**	(16 7)	(12 9)
Long term debt	**2,053**	2,137	1,753	**10.4**	10 2	9 4
Total debt	**$2,546**	$2,180	$2,170	**10.4**	9 8	9 9

Long term debt and commitments under capital leases are shown below

(In millions)	**1982**	1981	1980
Company			
Original issue discount			
Proceeds of zero coupon notes, due 1989 to 1994, $700 at maturity, yield 13 50% to 15 10%, effective rate 12.5% to 13.5%	**$ 169**	$ 66	$ —
Proceeds of 6% debentures, due 2006, $200 at maturity, yield 14.85%, effective rate 13 2%	**84**	84	—
Amortization of original issue discount	**33**	9	—
Debentures and notes			
Convertible 4.50% and 6%, due 1987 and 1989	**46**	46	46
8 50% to 9%, due 1983 to 1999	**151**	301	375
10.75% to 12%, due 1990 to 2010	**550**	550	550
Other	**82**	70	72
	1,115	1,126	1,043
Present value of commitments under capital leases	**269**	272	277
	1,384	1,398	1,320
Financial			
Debentures and notes			
4 50% to 9%, due 1984 to 1998	**490**	495	500
9 45% to 13.50%, due 1981 to 1993	**325**	325	250
Other	**22**	23	113
	837	843	863
Long term debt and commitments under capital leases	**$2,221**	$2,241	$2,183

Long term debt decreased slightly in 1982 The principal increases were the sales of zero coupon notes, $350 million (proceeds $65 million) due 1994 and $150 million (proceeds $38 million) due 1992 The principal decreases were $100 million resulting from the transfer of 8½ per cent debentures due 1983 to current maturities of long term debt and $50 million from the exchange of the Company's common stock for $23 million of 8⅞ per cent sinking fund debentures due 1995 and $27 million of 9 per cent sinking fund debentures due 1999.

Maturities of long term debt, including sinking fund requirements, and rental payments under capital leases in future periods are as follows

(In millions)	Long term debt JCPenney	Financial	Combined	Capital leases
1983	$ 102	$ 6	$ 108	$ 25
1984	12	119	131	25
1985	29	127	156	25
1986	9	127	136	25
1987	45	77	122	25
1988 to 1992	625	217	842	124
Thereafter	1,007	165	1,172	218
Total	1,829	838	2,667	467
Less future interest and executory expenses	—	—	—	198
	$1,829	$838	$2,667	$269

Confirmed lines of credit available to JCPenney amounted to $1.0 billion. None was in use at January 29, 1983. Some lines of credit are supported by compensating balances, which are also used to compensate the banks for banking services associated with activity.

Stockholders' equity rose to $3,228 million at year end 1982 from $2,933 million at year end 1981 Of the increase, $242 million resulted from an increase in reinvested earnings. The return on stockholders' equity was 14 7 per cent in 1982, as compared with 14.9 per cent in 1981 and 11 2 per cent in 1980

The following table shows the changes in outstanding common stock

	Shares (In thousands)			Amounts (In millions)		
	1982	1981	1980	**1982**	1981	1980
Balance at beginning of year	**71,868**	70,060	69,703	**$839**	$791	$783
Issued to savings and profit-sharing retirement plan	**—**	—	344	**—**	—	8
Issued in exchange for certain debentures	**1,098**	1,767	—	**37**	47	—
Other, primarily options exercised	**487**	41	13	**16**	1	—
	73,453	71,868	70,060	**$892**	$839	$791

There were approximately 77 thousand stockholders at year end 1982, 86 thousand at year end 1981, and 89 thousand at year end 1980. One of these stockholders was the savings and profit-sharing retirement plan, of which the participants, 118 thousand employees, were the beneficial owners of 11.8 million shares of common stock at year end 1982, representing 16.1 per cent of the shares outstanding.

JCPenney common stock is traded principally on the New York Stock Exchange, ticker symbol—JCP. It is also traded on other exchanges in the United States and is listed and traded on the Brussels and Antwerp Stock Exchanges

Stock Option and Performance Unit Plan. Under this plan, 2.5 million shares of common stock, as well as shares available under a previous stock option plan, are reserved for issuance under the performance unit portion of the plan and upon the exercise of options granted.

Performance units are earned based on the degree to which Company performance meets or exceeds established targets. Approximately $5 million in 1982 and 1981 and $2 million in 1980 were paid to plan participants

Under the stock option portion of the plan, ten-year incentive and non-qualified stock options may be granted. Options generally become exercisable one year from the date of grant.

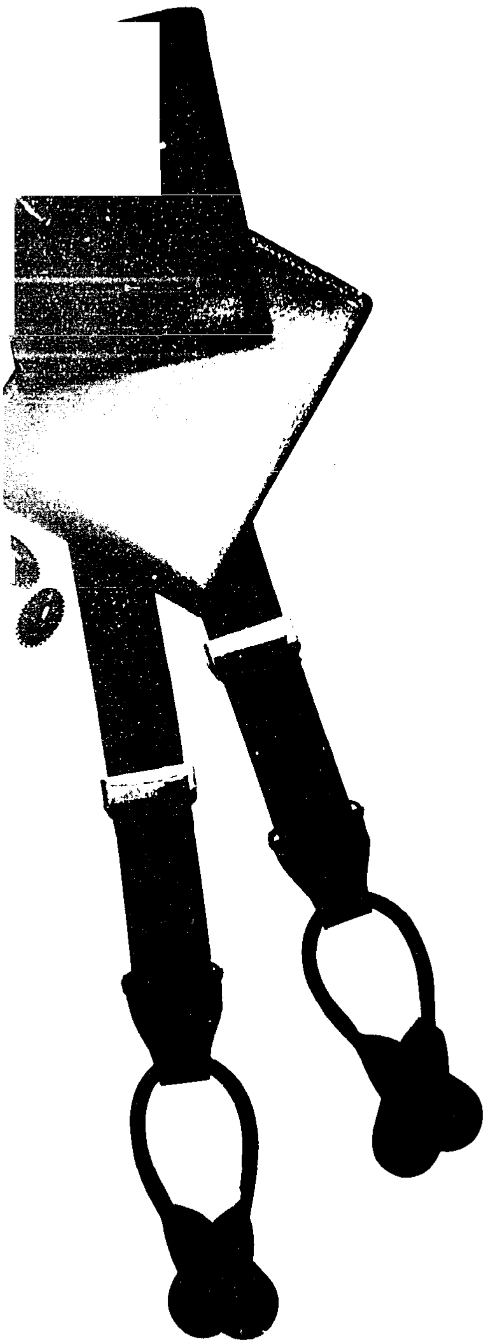
Transactions in stock options were as follows:

	1982		1981		1980	
	Shares (In thousands)	Option price	Shares (In thousands)	Option price	Shares (In thousands)	Option price
Balance at beginning of year	**2,464**	**$24.44-70.44**	2,243	$24.44-70.44	2,017	$29 38-70.44
Granted	**340**	**32.38**	352	26.44	348	24.44
Exercised	**(479)**	**24.44-51.50**	(27)	24.44-29.38	—	—
Expired	**(58)**	**24.44-70.44**	(104)	24.44-70.44	(122)	24.44-70 44
Balance at end of year	**2,267**	**$24.44-70.44**	2,464	$24.44-70.44	2,243	$24.44-70.44

At January 29, 1983, options for 1.8 million shares were available for grant.

Wardrobe necessities for today's more dressed up lifestyles. *His:* An After-Six tuxedo, spiced up with a red silk pocket square. *Hers:* A dress, soft and feminine, in ivory, with an organza ruffle collar shown off to perfection with both fashion and fine jewelry.

Additional Financial Data



Consumer purchases through JCPenney and bank credit cards were as follows

	1982		1981		1980	
	Amounts (In billions)	Per cent of eligible sales	Amounts (In billions)	Per cent of eligible sales	Amounts (In billions)	Per cent of eligible sales
JCPenney credit card	**$4.7**	**42.8**	$4.3	40 7	$3 9	38 8
Bank cards	**.5**	**5.0**	5	4.5	.4	3.4
Total	**$5.2**	**47.8**	$4 8	45 2	$4 3	42 2

Eligible sales exclude sales in Belgium

Approximately 85 per cent of sales on JCPenney credit cards were made in accordance with the regular plan and the balance in accordance with the time payment plan

At year end, the number of JCPenney credit accounts with outstanding balances was 13 0 million regular plan and 2 4 million time payment Average account balances and average maturities were as follows

	Average account balances			Average maturities (In months)		
	1982	1981	1980	**1982**	1981	1980
Regular	**$190**	$180	$172	**5.1**	5 2	5 3
Time	**405**	388	380	**11.8**	10.8	10 3
All	**224**	213	202	**6.1**	6 1	6 1

Account balances with any portion three months or more past due represented 2.2 per cent of the amount of customer receivables at year end 1982 and 1981 and 2 3 per cent at year end 1980

The Company's policy is to write off accounts when a dollar amount equal to a scheduled minimum payment has not been received for six consecutive months, or if any portion of the balance is more than 12 months past due, or if it is otherwise determined that the customer is unable to pay Collection efforts continue subsequent to write off, and recoveries are applied as a reduction of bad debt losses Net bad debt losses were $83 million, or 1.8 per cent of credit sales in 1982, $79 million, or 1 7 per cent of credit sales in 1981, and $77 million, or 1 9 per cent of credit sales in 1980

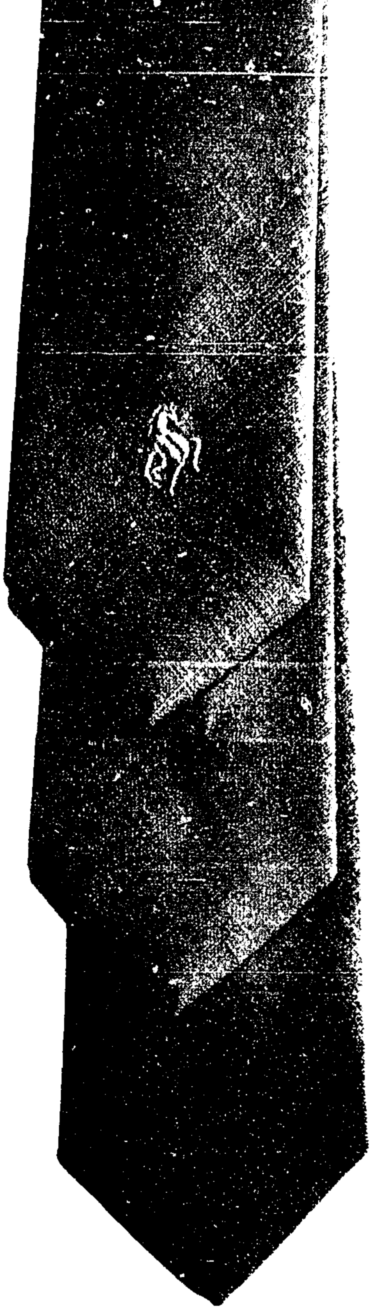
The net cost of the retail credit operation was as follows

(In millions)	**1982**	1981	1980
Finance charge income	**$528**	$411	$360
Costs			
Administration and applicable store expenses	**224**	207	192
Interest on average receivables less applicable deferred taxes	**270**	220	211
Provision for doubtful accounts	**88**	85	77
Income taxes	**(22)**	(42)	(50)
	560	470	430
Net cost of credit	**$ 32**	$ 59	$ 70
Net cost as per cent of credit sales	**.7%**	1.3%	1 7%

Advertising expense by the Company for newspapers, television, radio, and other media, excluding catalog preparation and distribution costs, was $314 million in 1982, as compared with $291 million in 1981 and $257 million in 1980

Interest expense was as follows

(In millions)	**1982**	1981	1980
Discount on customer receivables sold to Financial	**$222**	$ 232	$ 267
Interest on advances from (to) Financial	**9**	4	(4)
Interest on long term debt	**134**	122	79
Interest imputed on capital leases	**18**	18	19
Other, principally interest income	**(23)**	(45)	(14)
	360	331	347
Less Income before income taxes of Financial	**(94)**	(100)	(102)
Interest capitalized	**(4)**	(6)	(13)
Interest expense	**$262**	$ 225	$ 232
Interest on long term debt	**$234**	$ 223	$ 186
Interest on short term debt, net	**28**	2	46
	$262	$ 225	$ 232



Income tax expense was as follows

(In millions)	**1982**	1981	1980
Current			
Federal	**$144**	$179	$200
State and local	**22**	25	14
	166	204	214
Deferred			
Federal	**120**	84	(20)
State and local	**16**	7	1
	136	91	(19)
Total income tax expense	**$302**	$295	$195
Effective tax rate on income from continuing operations	**42.7%**	44 8%	43 5%

Deferred taxes arise principally from deferred gross profit on the balances due on installment sales, accelerated depreciation, and the accounting for capital leases.

The effective tax rate differed from the Federal income tax statutory rate as detailed below

	Amounts (In millions)			Per cent of pre tax income		
	1982	1981	1980	**1982**	1981	1980
Federal income tax statutory rate	**$325**	$302	$206	**46.0**	46 0	46 0
Investment credits	**(22)**	(13)	(14)	**(3.1)**	(2 0)	(3 2)
Employee stock ownership plan credits	**(8)**	—	—	**(1.1)**	—	—
State and local income taxes, less Federal income tax benefit	**20**	17	8	**2.8**	2 6	1 8
Gains on nontaxable exchanges of common stock for sinking fund debentures	**(6)**	(10)	—	**(.9)**	(1 6)	—
Capital gains benefits and other	**(7)**	(1)	(5)	**(1.0)**	(2)	(1 1)
Total income tax expense	**$302**	$295	$195	**42.7**	44 8	43 5

In addition to the taxes on income from continuing operations, the Company provided appropriate tax benefits on the operating losses and provisions for estimated costs of disposal for its discontinued operations

Taxes other than income taxes, over half of which were payroll taxes, totaled $234 million in 1982, up from $219 million in 1981 and $214 million in 1980.

Under the provisions of the Economic Recovery Tax Act, the Company purchased from other companies certain income tax deductions and credits A portion of these tax deductions and credits was used to reduce the payments for Federal income taxes in 1981 and 1982. Income tax expense has not been directly affected.

Rent expense for real and personal property amounted to $364 million in 1982, as compared with $336 million in 1981 and $324 million in 1980.

The Company conducts the major part of its operations from leased premises, which include retail stores, distribution centers, warehouses, offices, and other facilities Almost all leases will expire during the next 30 years, however, most leases will be renewed or replaced by leases on other premises

The components of rent expense were as follows

(In millions)	**1982**	1981	1980
Minimum rent on operating leases	**$202**	$185	$183
Other occupancy costs including rent based on sales	**162**	151	141
Total	**$364**	$336	$324

Minimum annual rents under noncancellable operating leases and the present value of the total commitment are as follows

(In millions)	
1983	$ 195
1984	186
1985	172
1986	167
1987	157
Thereafter	1,855
Total	$2,732
Present value	$ 900

Retirement plans' expenses were as follows

(In millions)	**1982**	1981	1980
Pension	**$ 66**	$62	$54
Savings and profit-sharing	**42**	30	23
Total	**$108**	$92	$77

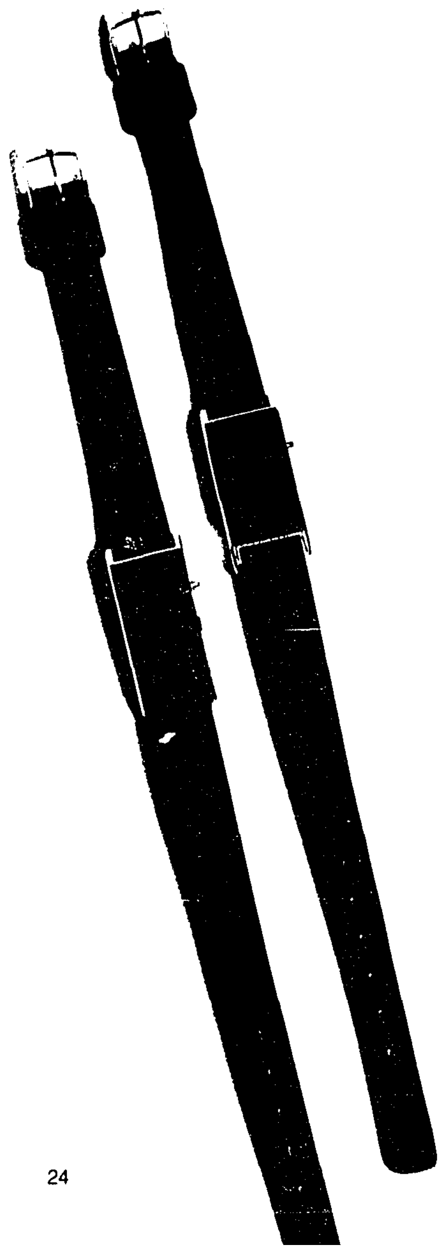
JCPenney's principal pension plan, which is noncontributory, covers substantially all United States employees who have completed 1,000 or more hours of service within a period of 12 consecutive months. Current pension costs are funded annually as incurred, and at year end 1981, based upon market valuation of investments, all vested benefits were fully funded. In addition, the Company has an unfunded, noncontributory, supplemental retirement plan for certain management employees

The unfunded actuarial liability for all pension and retirement plans at December 31, 1981, the date of the latest actuarial valuation, was $164 million

The present value of accumulated benefits for all participants in the Company's principal pension plan and the supplemental plan and the applicable net assets of the plans are as follows:

	December 31	
(In millions)	1981	1980
Present value of accumulated benefits		
Vested	$236	$179
Non-vested	31	29
	$267	$208
Net assets available for benefits	$504	$429

Opposite: A wool blend herringbone striped blazer tops gray pants and a light gray blouse. A snakeskin belt and fine gold jewelry add the finishing touches to a great casual look.



In determining the actuarial present value of accumulated benefits, the assumed rate of return used was 8.5 per cent. Each one per cent increase or decrease in this assumed rate of return would change the present value of accumulated benefits by approximately $42 million. The rate of return used in determining the funding and pension costs of the retirement plans was 6.0 per cent

The savings and profit-sharing retirement plan encourages savings by employees through the allocation of 4.5 per cent of the Company's available profits, as defined in the plan, to participants who make deposits under the plan The eligibility requirement is the same as that of the principal pension plan

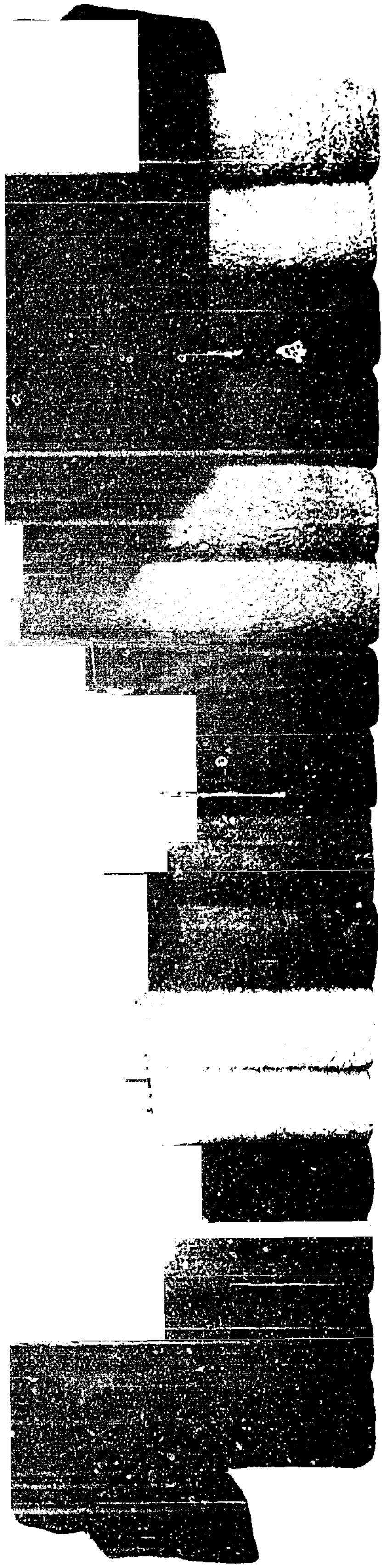
In 1982, the Company contributed approximately $8 million and $4 million applicable to the current year and prior year, respectively, into the savings and profit-sharing retirement plan under the Employee Stock Ownership feature of the Internal Revenue Code The contribution is invested in Company common stock and allocated equally among all eligible employees. The amount of the contribution reduced Federal income taxes otherwise payable.

Condensed financial statements of the principal retirement plans are as follows:

Balance sheet	Savings and profit-sharing			Pension		
	December 31			December 31		
(In millions)	**1982**	1981	1980	**1982**	1981	1980
Assets						
JCPenney common stock at market value (12, 11, and 10 million shares; at cost: $439, $427, and $402)	**$571**	$329	$245	**$ —**	$ —	$ —
Funds with insurance companies	**187**	126	119	**—**	—	—
Other investments at market value (cost. $16, $17, $20, $480, $392, and $286)	**20**	19	20	**543**	406	338
Other assets, net	**40**	30	22	**48**	36	43
	$818	$504	$406	**$591**	$442	$381
Liabilities and equity						
Estimated liability for pensions	**$ —**	$ —	$ —	**$591**	$442	$381
Participants' equity in savings and profit-sharing retirement plan	**818**	504	406	**—**	—	—
	$818	$504	$406	**$591**	$442	$381

Statement of changes in retirement plans' assets	Savings and profit-sharing			Pension		
	December 31			December 31		
(In millions)	**1982**	1981	1980	**1982**	1981	1980
Total assets at beginning of year	**$504**	$406	$381	**$442**	$381	$280
Company contributions	**46**	30	24	**54**	47	43
Participants' contributions	**63**	49	47	**—**	—	—
Investment income	**41**	32	28	**55**	58	29
Unrealized appreciation (depreciation) of investments	**231**	47	(21)	**49**	(38)	34
Benefits paid	**(67)**	(60)	(53)	**(9)**	(6)	(5)
Total assets at end of year	**$818**	$504	$406	**$591**	$442	$381

Corporate Responsibility



During 1982, JCPenney reassessed its community relations and charitable contributions programs and policies to assure that they were responsive to changing community needs With fewer resources available to nonprofit organizations and communities due to Federal budget cuts and the economic climate, the Company decided to direct more contributions and concentrate more effort on programs meeting the most pressing human, social, and economic needs in areas in which we operate

Contributions and Community Programs. In 1982, our charitable contributions increased 37 per cent to $7.8 million from $5 6 million in 1981 The Company also made a one-time contribution of real estate to the Seattle Museum of Art Nearly 75 per cent of contributions benefited communities in which the Company has facilities. The remaining 25 per cent was made to national organizations having multiplier effects on the impact of local organizations.

Because JCPenney believes local United Ways effectively assess and respond to community needs, we contributed $2.6 million to more than 1,000 local campaigns Our employees pledged an additional $3 8 million through payroll deductions and one-time gifts Fourteen employees were loaned to work with local United Way campaigns.

The Company recognizes the vital role of volunteers in community life and encourages the volunteer efforts of its employees Winners of an annual Community Service Awards Contest receive special recognition as well as contributions for the organizations for which they volunteer In 1982, we established the Golden Rule Awards to recognize and reward volunteers outside the Company The top winners in each of six cities in which the program was implemented received $1,000 grants for their organizations and a sculpture signifying the spirit of volunteerism.

JCPenney stores and facilities supplement their financial contributions with other resources, such as management assistance, meeting facilities, educational programs, and volunteers, to help make a positive difference in communities in which we operate

Minority Economic Development. Purchases of goods and services from minority owned businesses amounted to $62 5 million in 1982 and $65 million in 1981. This represented business relationships with more than 875 suppliers, up from 850 in 1981. Additionally, we spent $1.1 million on advertising in 125 minority media compared with $1.3 million in 140 media in 1981

The Company maintained working bank accounts with 12 minority owned banks, the same as in 1981 Average balances with these banks were approximately $ 5 million in total in both years. Lines of credit extended by these 12 banks amounted to nearly $2.3 million at year end compared with credit lines at 11 banks totaling $2 2 million in 1981.

Environment. Our environmental concerns are expressed through the most efficient use of resources, such as paper and energy In 1982, about 29 thousand tons of waste paper and other recyclable materials were reclaimed through programs at 425 units, as compared with 20 thousand tons at 320 units in 1981 This program has resulted in a significant decrease in waste removal expenses as well as contributing to a better environment

At year end, the Company had reduced energy consumption by 47 per cent from the base year of 1973, moving toward the goal of a 65 per cent reduction by 1990 In 1982, we used 54,600 BTUs of energy per square foot of space, down from 58,100 in 1981 Conservation measures, such as heat recovery systems, energy use scheduling, efficient lamps and layouts, and improvement of building thermal characteristics, focus on better efficiency of stores and facilities without sacrificing shopping and working environments

Employment. Year end employment totaled approximately 181,000, of whom 172,319 were employed in the United States, including automotive operations and excluding unconsolidated subsidiaries. Summaries are supplied for job categories as defined in the Employer Information Report EEO-1 of the Equal Employment Opportunity Commission

Category	Total employed 1982	Total employed 1978	Per cent female 1982	Per cent female 1978	Per cent minority 1982	Per cent minority 1978
Officials, managers, and professionals	**23,451**	25,932	**40.7**	37.9	**8.5**	7 5
Management trainees	**1,002**	2,556	**47.9**	45 6	**16.6**	17 2
Salesworkers	**83,994**	93,929	**84.0**	81.9	**11.0**	10 1
Office and clerical workers	**28,649**	45,375	**91.7**	88 6	**15.0**	13.4
Technicians, craft workers, and operatives	**18,997**	14,671	**71.4**	53 7	**15.0**	14 1
Laborers and service workers	**16,226**	19,550	**39.4**	42.1	**18.6**	18 5
Total	**172,319**	202,013	**73.6**	71.4	**12.5**	11 7

Ten Year Financial Summary

J C Penney Company Inc and Consolidated Subsidiaries

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
Results for year (In millions)										
Sales	**$ 11,414**	11,369	10,824	10,352	9,951	8,622	7,678	7,064	6,443	5,825
Sales of JCPenney stores and catalog	**$ 10,364**	10,165	9,485	9,119	8,861	7,552	6,660	6,076	5,575	5,064
Per cent increase from prior year	**2.0**	7.2	4.0	2.9	17.3	13.4	9.6	9.0	10.1	11.6
Costs and expenses excluding interest and depreciation	**$ 10,302**	10,337	10,004	9,543	9,141	7,850	7,065	6,503	5,999	5,307
Interest, net	**$ 262**	225	232	253	207	129	110	122	154	111
Depreciation and amortization	**$ 144**	150	140	127	110	99	91	85	76	67
Income before income taxes and unconsolidated subsidiaries	**$ 706**	657	448	429	493	544	412	354	214	340
Per cent of sales	**6.2**	5.8	4.1	4.1	5.0	6.3	5.4	5.0	3.3	5.8
Income taxes	**$ 302**	295	195	186	225	259	193	165	102	167
Income from continuing operations	**$ 430**	393	283	270	291	302	229	194	122	183
Per cent increase (decrease) from prior year	**9.4**	38.8	4.7	(7.1)	(3.5)	31.8	17.9	59.5	(33.4)	8.1
Per cent of sales	**3.8**	3.5	2.6	2.6	2.9	3.5	3.0	2.7	1.9	3.1
Per cent of stockholders' equity	**14.7**	14.9	11.2	11.5	13.7	16.1	13.7	14.1	9.4	16.1
Per share										
Income from continuing operations	**$ 5.87**	5.59	4.04	3.91	4.36	4.62	3.60	3.24	2.07	3.13
Dividends	**$ 2.00**	1.84	1.84	1.76	1.76	1.48	1.28	1.16	1.16	1.11
Stockholders' equity	**$ 43.94**	40.81	37.67	36.16	34.92	32.19	29.11	27.53	23.22	22.00
Financial Structure (In millions)										
Receivables, net	**$ 3,624**	3,284	2,769	3,007	2,766	2,372	1,961	1,689	1,565	1,406
Merchandise inventories	**$ 1,594**	1,549	1,533	1,638	1,913	1,595	1,194	1,118	1,154	1,074
Properties, net	**$ 1,987**	1,878	1,834	1,689	1,476	1,269	1,113	1,025	951	866
Capital expenditures	**$ 287**	205	289	347	325	280	224	286	245	211
Total assets	**$ 7,966**	7,336	6,775	6,937	6,710	5,711	4,756	4,386	4,075	3,643
Short term debt, net	**$ 502**	256	61	1,018	1,103	823	451	385	708	757
Long term debt	**$ 2,221**	2,241	2,183	1,653	1,608	1,263	1,150	1,061	1,023	685
Stockholders' equity	**$ 3,228**	2,933	2,639	2,520	2,357	2,118	1,873	1,669	1,382	1,293
Stockholders and employees										
Number of stockholders at year end (In thousands)	**77**	86	89	86	86	83	78	77	76	75
Average number of shares outstanding (In millions)	**73**	70	70	69	67	65	64	60	59	58
Number of employees at year end (In thousands)	**173**	179	185	191	195	179	169	172	180	187

Quarterly Data (Unaudited)	First			Second			Third			Fourth		
(In millions except per share data)	**1982**	1981	1980	**1982**	1981	1980	**1982**	1981	1980	**1982**	1981	1980
Sales	**$2,340**	2,387	2,137	**2,538**	2,498	2,288	**2,765**	2,804	2,635	**3,772**	3,680	3,764
Per cent increase (decrease) from prior year	**(2.0)**	11.7	—	**1.6**	9.2	.8	**(1.4)**	6.4	3.6	**2.5**	(2.2)	10.7
Cost of goods sold, occupancy, buying, and warehousing costs	**$1,570**	1,646	1,493	**1,737**	1,729	1,640	**1,879**	1,903	1,858	**2,522**	2,482	2,639
Income from continuing operations	**$ 55**	49	21	**61**	47	15	**80**	87	63	**234**	209	184
Per cent increase (decrease) from prior year	**11.3**	130.0	(43.3)	**29.6**	220.0	(28.2)	**(8.2)**	38.2	(7.5)	**11.7**	13.8	27.8
Income from continuing operations per share	**$ .76**	.71	.31	**.84**	.67	.21	**1.08**	1.23	.90	**3.19**	2.98	2.62
Dividends per share	**$ .50**	.46	.46	**.50**	.46	.46	**.50**	.46	.46	**.50**	.46	.46
Common stock price range												
High	**$ 37**	36	26	**41**	37	28	**52**	34	29	**57**	31	25
Low	**$ 29**	22	20	**34**	30	24	**35**	27	21	**43**	25	20

The first three quarters have been restated to exclude automotive center operations
The fourth quarters of fiscal 1982 and 1981 had 13 weeks compared with 14 in 1980

Ten Year Operations Summary

J C Penney Company, Inc. and Consolidated Subsidiaries

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
JCPenney metropolitan department stores										
Number of stores	**576**	559	527	492	459	434	409	359	327	307
Net selling space (In million sq. ft.)	**46.5**	45.5	43.2	40.5	37.9	35.9	33.9	29.6	26.6	24.5
Sales (In millions)	**$7,624**	7,336	6,687	6,221	6,022	4,983	4,220	3,585	3,154	2,725
Sales per square foot	**$ 166**	165	160	161	164	143	133	130	125	118
JCPenney metropolitan soft line stores										
Number of stores	**228**	250	285	315	352	376	405	432	453	467
Net selling space (In million sq. ft.)	**5.6**	6.0	6.7	7.3	7.9	8.1	8.6	9.1	9.5	9.7
Sales (In millions)	**$ 891**	1,008	1,061	1,157	1,214	1,131	1,122	1,199	1,238	1,228
Sales per square foot	**$ 155**	160	152	151	152	137	128	129	127	123
JCPenney geographic stores										
Number of stores	**827**	853	870	876	872	876	867	860	863	862
Net selling space (In million sq. ft.)	**10.3**	10.2	10.0	9.6	9.1	8.7	8.3	7.7	7.6	7.6
Sales (In millions)	**$1,450**	1,454	1,399	1,441	1,357	1,208	1,111	1,107	1,028	980
Sales per square foot	**$ 142**	144	143	155	154	143	143	148	137	130
Catalog										
Number of sales centers	**1,815**	1,845	1,840	1,820	1,617	1,496	1,432	1,353	1,298	1,236
Number of distribution centers	**6**	5	5	5	5	4	3	3	3	2
Distribution space (In million sq. ft.)	**11.4**	9.6	9.6	9.6	9.6	8.0	6.1	6.1	6.1	4.1
Sales (In millions)	**$1,701**	1,680	1,537	1,455	1,210	1,008	846	742	614	509
Belgian stores										
Number of stores	**62**	72	76	77	78	78	78	79	82	85
Net selling space (In million sq. ft.)	**1.8**	1.9	1.9	1.9	1.8	1.8	1.7	1.7	1.7	1.6
Sales (In millions)	**$ 565**	748	911	861	768	625	526	469	397	334
Sales per square foot	**$ 139**	205	271	270	249	214	189	177	147	136
Drug stores										
Number of stores	**353**	343	361	351	335	299	271	259	255	239
Net selling space (In million sq. ft.)	**2.9**	2.9	3.1	3.0	2.8	2.4	2.1	1.9	1.7	1.5
Sales (In millions)	**$ 536**	507	474	409	348	298	258	231	191	155
Sales per square foot	**$ 191**	174	155	143	135	142	136	132	121	117

Catalog merchandise sold through catalog sales centers located in the Company's stores is included in the sales of those stores. Total catalog sales shown above include sales by catalog sales centers and by mail. Sales per square foot include only those sales from stores in operation for the full year.

Store Space Opened in 1982

City, state, shopping center	Gross square feet of store space (In thousands)
JCPenney stores	
First Quarter	
*Dalton, Georgia (Walnut Square)	69
*Kansas City, Missouri (Bannister)	142
*Big Spring, Texas (Big Spring)	34
Baltimore, Maryland (Whitemarsh Town Center)	137
*Billings, Montana (Rimrock)	60
*Fergus Falls, Minnesota (Westridge)	34
Greenwood, Indiana (Greenwood Park)	143
*Hot Springs, Arkansas (Hot Springs)	67
*Alamogordo, New Mexico (Alamogordo)	34
*Kingsville, Texas (Kingsville)	22
Stamford, Connecticut	183
*Long Beach, California (Long Beach)	119
*Glenwood Springs, Colorado (Glenwood Springs)	34
*Durango, Colorado (Durango)	34
Second Quarter	
*Quincy, Illinois (Quincy)	92
*Cheyenne, Wyoming (Frontier)	67
*Alpena, Michigan (Alpena)	34
Murray, Kentucky (Chestnut Hills)	34
*Lake City, Florida (Gleason's Corner)	52
*Savannah, Georgia (Oglethorpe)	88
*Las Cruces, New Mexico (Mesilla Valley)	66

City, state, shopping center	Gross square feet of store space (In thousands)
Third Quarter	
Antioch, Tennessee (Hickory Hollow)	138
*Tucson, Arizona (Tucson)	137
*Shelby, North Carolina (Cleveland)	50
*Bellevue, Washington (Bellevue Square)	138
*Bridgeport, West Virginia (Meadowbrook)	95
*Winchester, Virginia (Apple Blossom)	85
*Casper, Wyoming (Eastridge)	68
*Kingston, New York (Hudson Valley)	68
*Wilkesboro, North Carolina (Wilkesboro)	51
Fourth Quarter	
*Panama City, Florida (Panama City)	85
*Andalusia, Alabama (Covington)	46
*Greenville, Texas (Crossroads)	34
Eagle Pass, Texas (De Las Squilas)	67
Killeen, Texas (Killeen)	66
*Antigo, Wisconsin	37
Total (36 stores opened)	2,710
Belgium (2 stores opened)	67
Drug stores and other (41 stores opened)	342
Gross store space opened	3,119

*Relocation of existing store

Rattan framed sofa in an attractive cotton print is from the Aloha collection of casual furniture by [illegible]. The brass pharmacy lamp adds a contemporary flair.

Impact of Inflation on Financial Data

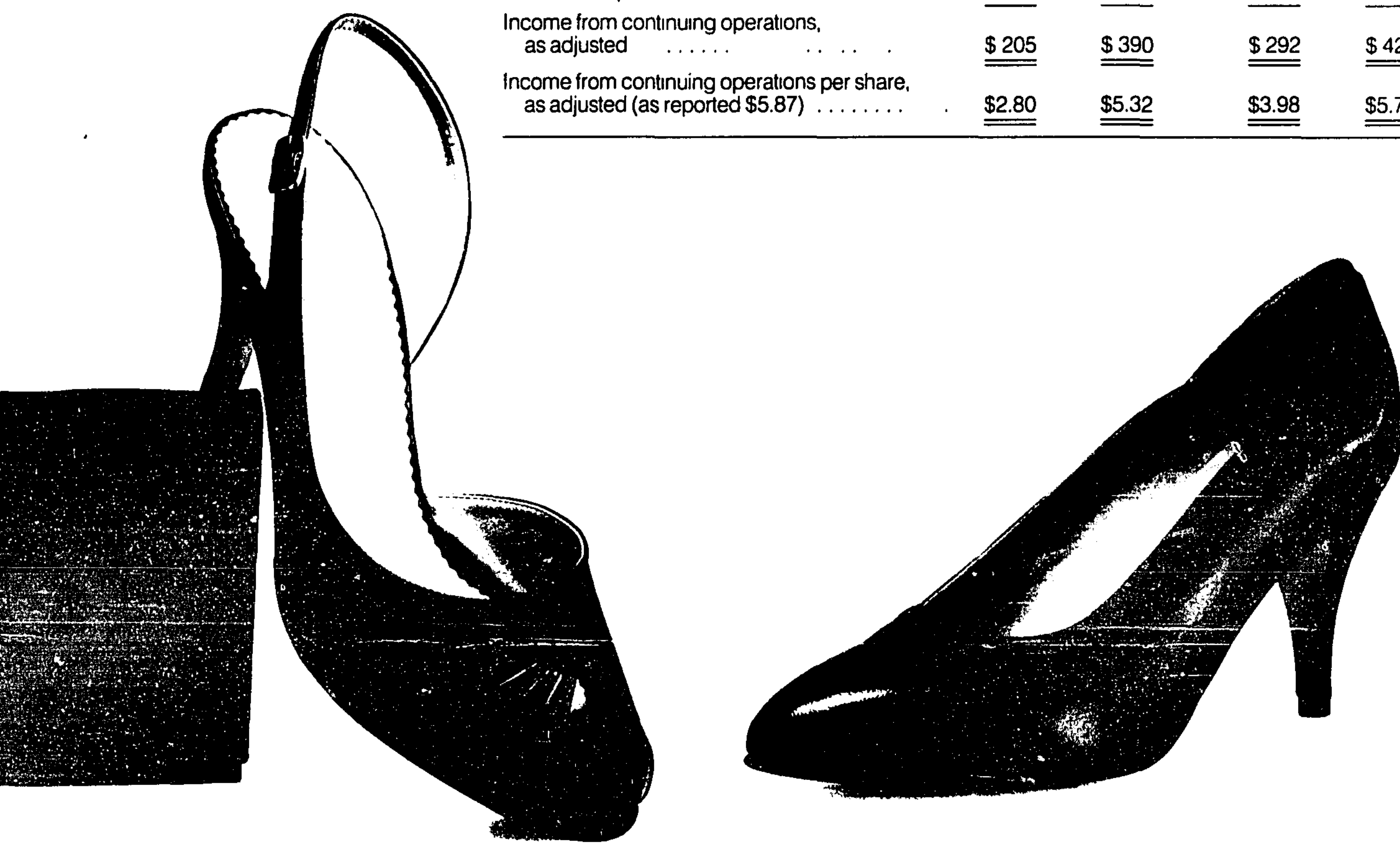
The preceding financial information was prepared on the historical cost basis Substantial economic changes caused by inflation may not be adequately measured by historical cost information The Financial Accounting Standards Board (FASB) has prescribed two methods of disclosure on an experimental basis, constant dollar and current cost, to address the effects of inflation on specific elements of financial statements In accordance with the FASB's requirements, the principal adjustments to historical cost financial data are as follows

	Constant dollar	Current cost
Plant and equipment	Historical costs are increased using the Consumer Price Index for All Urban Consumers (CPI-U).	Historical costs are increased to current costs for assets with the same service potential.
Inventory	Converted to average 1982 dollars	FIFO method of inventory valuation.
Cost of goods sold	FIFO basis with beginning inventories adjusted for a full year of inflation using CPI-U.	No adjustment.

The Company believes general merchandise price increases are more appropriately measured by the index prepared by the Bureau of Labor Statistics (BLS) than the CPI-U The CPI-U includes such costs as food, energy, and housing and was significantly higher than the BLS index This distorts the effects of inflation on retail merchandise operations. In addition, the Company believes that the purchasing power gain should be presented as a reduction of interest expense since this reflects the effects of inflation on net monetary liabilities Accordingly, 1982 income from continuing operations adjusted for changing prices using both the CPI-U (required methods) and these alternative methods is shown below

1982 Income from continuing operations Adjusted for changing prices

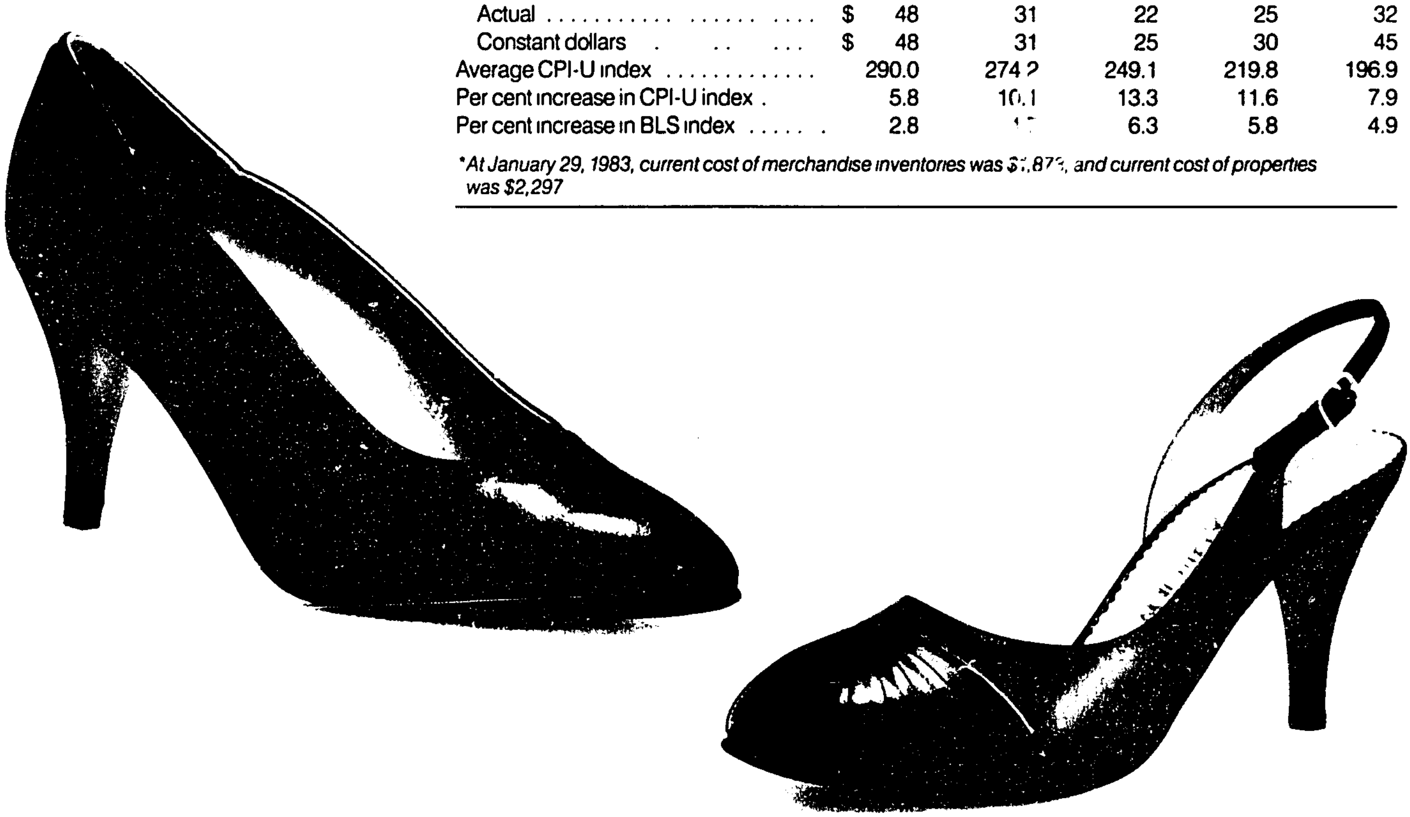
(In millions except per share data)	Required methods: Constant dollar	Required methods: Current cost	Alternative methods: Constant dollar	Alternative methods: Current cost
Income from continuing operations, as reported	$ 430	$ 430	$ 430	$ 430
Adjusted for changing prices				
Cost of goods sold	(132)	—	(76)	—
Depreciation and amortization	(93)	(40)	(93)	(40)
Interest expense	—	—	31	31
Income from continuing operations, as adjusted	$ 205	$ 390	$ 292	$ 421
Income from continuing operations per share, as adjusted (as reported $5.87)	$2.80	$5.32	$3.98	$5.74



Five year summary of selected financial data
Adjusted for changing prices

(In millions except per share data)	1982	1981	1980	1979	1978
Sales					
As reported	$11,414	11,369	10,824	10,352	9,951
CPI-U index	$11,414	12,024	12,601	13,658	14,656
BLS index	$11,414	11,687	11,651	11,842	12,040
Income from continuing operations					
As reported	$ 430	393	283	270	
Constant dollars	$ 205	227	190	160	
Current cost	$ 390	365	280	302	
Income from continuing operations per share					
As reported	$ 5.87	5.59	4.04	3.91	
Constant dollars	$ 2.80	3.22	2.71	2.30	
Current cost	$ 5.32	5 19	3.99	4.36	
Net assets at year end					
As reported	$ 3,228	2,933	2,639	2,520	
Constant dollars	$ 4,458	4,504	4,415	4,427	
Current costs	$ 3,733	3,766	3,726	3,818	
Excess of increase in general price level over increase in current costs*	$ 297	193	308	485	
Purchasing power gain on net monetary items	$ 31	91	150	226	
Dividends per share					
As reported	$ 2.00	1.84	1.84	1.76	1.76
Contant dollars	$ 2.00	1.95	2.14	2.32	2.59
Common stock price at year end					
Actual	$ 48	31	22	25	32
Constant dollars	$ 48	31	25	30	45
Average CPI-U index	290.0	274.2	249.1	219.8	196.9
Per cent increase in CPI-U index	5.8	10.1	13.3	11.6	7.9
Per cent increase in BLS index	2.8	[illegible]	6.3	5.8	4.9

**At January 29, 1983, current cost of merchandise inventories was $1,873, and current cost of properties was $2,297*



J.C. Penney Company, Inc.

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Chairman Emeritus, Financial Accounting Standards Board

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Manager of Federal Government Relations

Satenig St. Marie
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Archibald E. King, Jr.

Richard M Kleid

Richard P. Rubenoff

J. David Silvers

Assistant Treasurers

William B. Baxter

John B. Hebard

Donald A. McKay

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Securityholder Services
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P O Box 3940
Wilmington, Delaware 19807

Registrar and Transfer Company
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New York, New York 10041

Registrars

Registrar and Transfer Company
55 Water Street
New York, New York 10041

Wilmington Trust Company
Wilmington, Delaware 19899

Exchange Listings

The New York Stock Exchange

Brussels and Antwerp Stock Exchanges

Supplemental Information

Copies of the Company's Form 10 K annual report for 1982 to the Securities and Exchange Commission and consolidated Employer Information Reports EEO 1 for 1982 year end to the United States Equal Employment Opportunity Commission will be made available upon request to

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New York, New York 10019
Phone (212) 957 8170

Copies of J C Penney Financial Corporation's annual report are available from

Mr Philip G Rickards
J C Penney Financial Corporation
P O Box 3999
Wilmington, Delaware 19807
Phone (302) 652-3801

Inquiries about your stockholder record should be forwarded to

Mr Alfred C Riley
J C Penney Company, Inc
Securityholder Services
P O Box 3940
Wilmington, Delaware 19807
Phone (302) 995-2284

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1 Member of the Audit Committee of the Board of Directors This committee recommends to the Board of Directors the independent auditors to be employed for the purpose of conducting the annual audit of the Company's accounts, discusses with the auditors the scope of their examination, reviews the Company's financial statements and the auditors' report with Company personnel and the auditors, determines whether the auditors have received all the explanations and information they had requested, and invites the recommendations of the auditors regarding internal controls and other matters

2 Member of the Public Affairs Committee This committee identifies, analyzes, and brings to the attention of the Board social and environmental trends and public policy issues which may have a potential impact on the business performance and investment character of the Company It assures that Company policy and performance reflect a sensitivity toward the social and physical environments in which the Company does business and that such policy and performance are in accord with the public interest

3 Member of the Committee on Directors This committee makes recommendations to the Board with respect to the size, composition, and functions of the Board of Directors, the qualifications of directors, candidates for election as directors, and the compensation of directors

4 Member of the Personnel and Compensation Committee This committee reviews the Company's annual and long term incentive compensation plans, makes recommendations in areas concerning personnel relations, and takes action or makes recommendations with respect to the compensation of Company officers, including those who are directors It is also the committee which acts under certain of the Company's incentive compensation and retirement plans

All of the committees described above are composed entirely of outside directors

To the right: A cotton twill sports shirt and coordinating cotton sweaters designed by Lee Wright
Back cover: Mr. Wright's worsted wool Saxony tweed sports jacket, broadcloth shirt with fine line stripes, and silk foulard tie.

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